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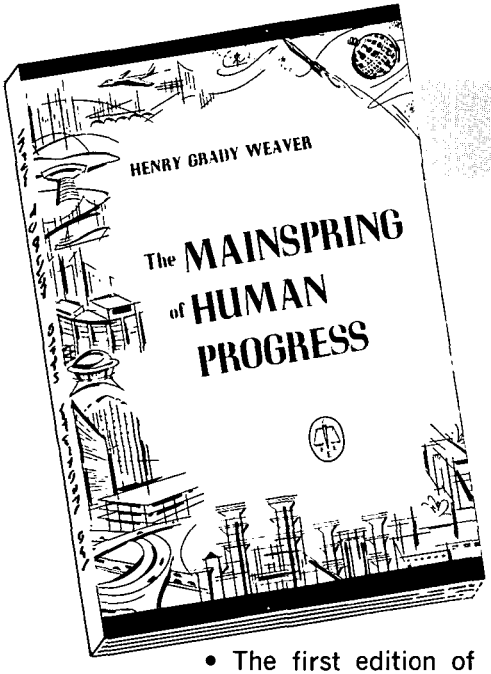

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A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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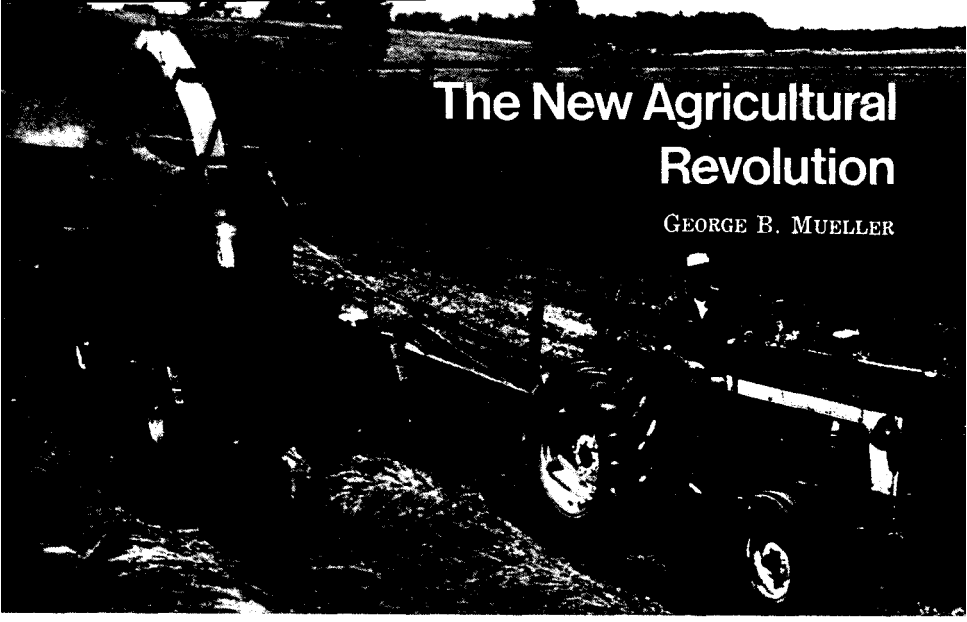

The New Agricultural Revolution

GEORGE B. MUELLER

EVERY AMERICAN school boy and girl is familiar with the agricultural revolution. It was this revolution that enabled American workers to leave the farm and build a great nation. The modern techniques and tools used on our present-day, family operated, commercial farms are the envy of the world. Even Premier Krushchev came over to take a first-hand look at our tremendous agricultural productivity. Our family farms, bigger and more efficient than ever, are putting food on the typical American's table for less than 17 per cent of his wages. Certainly, if there ever was a success story, it is America's family farm.

Mr. Mueller, of Clifton Springs, New York, owns and operates a family farm specializing in dairying and cash crops.

As farmers, we are presently investing twice the amount industry averages in capital tools per man. Because of this heavy capital investment, and the fact that most farmers still put in a full day of productive work, our American farm products remain competitive in world markets. In contrast, each year that passes, we see more and more of our industries failing to meet competition abroad. The shelves in our stores are increasingly stocked with products "Made in Japan" and elsewhere.

In spite of nearly nine billion dollars of agricultural products exported last year, the United States experienced a minus balance of trade for the first time in 83 years. To make matters worse, dock worker strikes have seriously

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curbed agricultural feedgrain exports, threatening a permanent loss of markets that took years to develop. Thus, agriculture, one of our few industries still able to compete, has been partially shut off from world markets. Our family-based agriculture, the strongest in the world, has a tremendous ability to compete if only permitted to do so.

"The Farm Problem"

Agriculture is over-crowded, as are most other businesses in the United States. We have too many drug stores, too many hardware stores, too many grocery stores, too many insurance salesmen, too many barber shops, and so on. This is the American way. Businessmen are supposed to be free to enter any field of production and trade in which they think they can make a profit. The result is keen competition in most businesses. The consumer benefits from competition by getting better service and lower prices. Competition also has resulted in numerous business failures. The typical business earns a slim profit, if any. Only the best managed firms (those that serve the consumer best), reap a substantial profit. Such is the nature of our cherished system of competitive enterprise.

The agricultural business is especially crowded because it was the original and only way of life for many Americans. The movement of workers out of agriculture has not been rapid enough to prevent this over-crowding. Farming generally is a wholesome, healthy, and satisfying work, and many people are willing to accept a lower standard of living rather than give up such a way of life. Farming, because of its appeal, will always be crowded, and profit margins for the "average" farmer will always be low. Only the well-managed farm, operated with a judicious amount of modern tools and the latest know-how, will yield a good profit. This is as it should be, for this type of farm operation is serving the consumer best.

Time and again we hear dire predictions of the take-over of farming by corporations. It is true that the family farm has changed and tends to look more like a factory every day. My neighbor used to be one of the largest poultry farmers in the county with 3,000 layers – and quite successful. But progress has left him behind. Those in the vicinity who intend to stay with chickens are building 500-foot-long houses to hold 43,000 birds in wire cages, wall-to-wall. These are still family-owned and -operated farms, but they are large and efficient. Likewise, the dairy farms of 30 years ago with 12 cows

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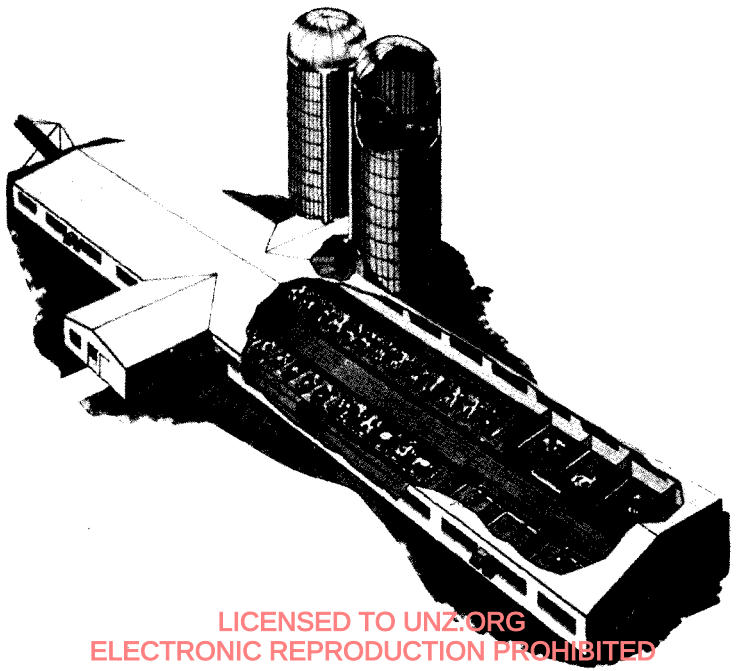
are now either out of business or have grown much larger. They, too, are still family-owned and -operated. The only corporate agriculture in my county consists of a few acres of vineyards owned by a winery. The United States Department of Agriculture reports that corporations account for only 1 per cent of our farms, 7 per cent of our farm land and 8 per cent of our agricultural production. A closer look reveals that ninety per cent of these are actually family farms that have incorporated to ease the transfer to the next generation. It is apparent that the family farm that has mechanized and is under the skillful management of its owner is still very competitive. Corporations, with their high fixed costs, have found it almost impossible to compete with the American family farm.

I think we do not have a "farm problem." In fact, agriculture, because of the private research by feed, seed, building supply, chemical, machinery, and fertilizer companies, has kept up with modern methods as well as has any U.S. industry. The development of hybrid seed corn is an excellent example of how private researchers, competing for a profit, benefit all of us – especially the consumer. The research by Land Grant Colleges and by the U.S.D.A. has sup-



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plemented and stimulated this private research. Agri-business salesmen, farm catalogs, advertising folders, and numerous farm publications, in addition to government-sponsored agricultural extension service (county agents), have made this valuable research available to all American farmers – big and small. Use of this modern knowledge has made the American family farm the most efficient in the world. Rather than looking upon agriculture as a serious problem, we should consider it our biggest success story.

The Winds of Change

A fundamental change is taking place in the thinking of the American farmer. We have long been singled out by politicians as a group of people to be pitied. Farm publications keep telling us how much we suffer. Our farm leaders are especially sympathetic to our "sad" plight and pledge all sorts of programs to bring us aid. We farmers have heard this so long and so often that we are beginning to believe it.

The independent, self-reliant, self-thinking farmer is wavering. So often told that we must cooperate with others and "set our own price," we are beginning to move in this direction. The appeal of collective bargaining is gaining momentum among farm people. Farm editors and farm leaders would not dare suggest that competitors in any other business get together to set prices; yet, they boldly advocate a monopoly control over supply by farmers, using such terms as "disciplined marketing" or "supply management." When examined closely, their object is a monopoly control over the total supply. The result is presumed to be higher prices and returns for the farmer at the expense of the consumer. But let us look at how this will affect the family farm.

The family farm is dominant in America today because it is a *strong competitor*. It is dominant because of its ability to survive in periods of low prices. The family farmer can let the hired man go and work harder himself in periods of low prices. The farmer's wife can even take a job in town in order to help save the farm. These are options not available to the larger, more heavily capitalized corporate farms.

Interestingly enough, many of the farmers working the hardest for collective bargaining – and the security that the higher and more stable prices will bring – are the large operators. Through careful management and hard work, they have built large efficient enterprises which they now wish to protect. In periods of high prices, they prosper. But low prices put

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the large farms to the test, causing many to fail. Fluctuating farm prices thus tend to even the score, so that the little fellow has an opportunity to compete. What will happen to the small family farm when collective bargaining assures stable high prices for the large farmer? Won't this be the opening corporations are looking for and won't they come pouring into agriculture once we assure a higher profit margin?

To limit "over-production" when bargaining achieves a better price for farmers, there will have to be some kind of a quota system. Just as laborers wait in line to work on union jobs, so shall young farmers wait in line to farm. In good growing years we will be forced to let a portion of the crop rot to insure higher prices from the consumer. It will be an entirely new ball game for the self-reliant, independent, competitive farmer. But he will adjust, once he tastes the fruits of collective action.

As time goes on, I anticipate that these quotas will be purchased by the larger growers; and the larger growers will merge and form even larger corporations. Once we establish "rights" as to who can farm and how much, we are opening the door to big business in farming. Just as truckers "rights" are soon purchased by the larger trucking firms, the farmers "rights" will also flow toward where the money is. By turning to collective bargaining, we may be dooming the family farm.

We already have legislation to prevent buyers from discriminating against us when we sell cooperatively – The Agricultural Fair Practice Act. The National Agricultural Marketing and Bargaining Act (Sisk Bill) is about to be passed in Congress. It would force the buyer of farm products to negotiate in good faith with his regular suppliers and prevent him from buying from other sources during these negotiations. The next logical legislative step will be a requirement for compulsory arbitration if negotiations fail. Along with this will have to come a limit on entry and quotas for all existing farmers.

In summary, we are witnessing in a few short years the coming of a monopolistic type of collective bargaining for agriculture. Farmers are accomplishing this through strong and efficient lobbies in Washington. Farmers may soon have the collective bargaining powers that it took labor a century of bloodshed to obtain. Even the U.S.D.A., after 35 years of all sorts of farm programs that have failed, now suggests that we try farm bargaining. The collective bargaining juggernaut is rolling in high gear and is on a collision course with

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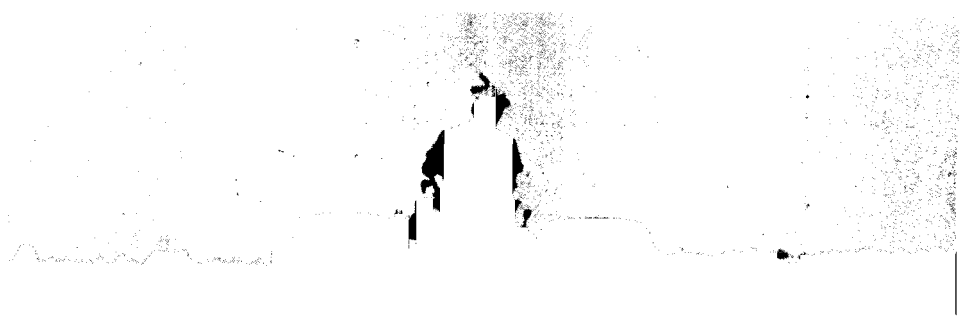
the family farm. There is definitely an agricultural revolution in progress.

The Consumer Is Still King

The first priniciple of business is that the customer is king. To prosper over a period of years, a business must serve the customer well. Now, as farmers, we find ourselves looking at our customers as adversaries from whom we should demand better prices rather than earn them. Like many unionized wage earners in our society, we foolishly believe we can raise our standard of living by demanding more for doing less.

The time has come for the American consumer to remind the farmer that he is a *businessman*, expected to compete as he produces the food and fiber that our nation needs. Farmers are no more justified in getting together to manipulate prices than are oil companies, or auto companies, or drug companies, or any other business competitors. It is time to remind the farmer that competition is still the foundation of free enterprise. True, farmers have more votes and, therefore, more power in Washington than have other businesses. But does this justify a war against consumers? The consumer, if alerted, has more power – economic or political – than any conceivable combination of producers. Perhaps it is time for consumers to take a hand in steering a course for agriculture.



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HENRY HAZLITT

Welfarism Gone W I L D

BOTH SOCIAL SECURITY and unemployment compensation were proposed in large part on the argument of Franklin D. Roosevelt and others in 1935 that they would enable the government to "quit this business of relief."

Though all the social "insurance" programs he asked for were enacted, together with a score of others, and though all of these supplementary or "substitute" programs have been constantly enlarged, direct relief, instead of showing any tendency to diminish, has increased beyond anything dreamed of in 1935.

The number of welfare recipients in New York City alone jumped from 328,000 in 1960 to 1,280,000 in October, 1971 (exceeding the total population of Baltimore) and was still growing. On March 10, 1971, the U. S. Department of Health, Education and Welfare reported that more than 10 per cent of the residents of the nation's twenty largest cities were on welfare. In New York City, Baltimore, St. Louis, and San Francisco, it was one person in seven; and in Boston, one in five. The Mayor of Newark, N. J. told Congress on January 22, 1971 that 30 per cent of the population in his city was on relief.

For the whole country, the number of people on welfare grew from 6,052,000 in 1950 to 7,098,000 in

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Henry Hazlitt is well known to FREEMAN readers as author, columnist, editor, lecturer, and practitioner of freedom. This article will appear as a chapter in a forthcoming book, *The Conquest of Poverty*, to be published by Arlington House.

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1960, to 9,540,000 in 1968, to 12,912,000 in September 1970, and to 14,480,000 in September, 1971.

Because payments to individuals kept increasing, total expenditures for relief grew still faster. Here is a condensed record:

Fiscal year	All Funds (000)	Federal Funds (000)
1936	$ 349,892	$ 20,202
1940	1,123,660	279,404
1945	1,028,000	417,570
1950	2,488,831	1,095,788
1955	2,939,570	1,440,771
1960	4,039,433	2,055,226
1965	5,868,357	3,178,850
1970	14,433,500	7,594,300
1971	18,631,600	9,932,000

Sources: U. S. Department of Health, Education and Welfare, NCSS Report F-5 July 6, 1971; and **Social Security Bulletin**, December, 1971.

In the fiscal year 1971, relief expenditures of $18.6 billion were running at more than four times the rate of 1960, more than sixteen times the rate of 1940, and more than 53 times the rate of 1936.

To economize on figures, I have not only confined myself to five-year interval comparisons, but I have not shown the division between state and local funds. Yet these comparisons are part of the explanation of the skyrocketing growth of these relief figures. It will be noticed that while the Federal contribution to direct relief expenditures was only 5 per cent in 1936, it was 25 per cent in 1940, 44 per cent in 1950, and 53 per cent in 1971. Yet relief was actually administered at the state and local level. In fact, it was for the most part administered by the cities and counties. The localities contributed only 26 per cent toward the total cost of the relief they handed out in 1940, only 11 per cent in 1950, 13 per cent in 1960, and 11 per cent in 1970. When a city government is contributing only 11 cents of its own for every dollar it pays out to relief recipients, it can distribute its political favors cheaply, and has little incentive to exercise vigilance against overpayment and fraud.

Most of those who discuss the mounting cost of direct relief treat this figure in isolation as if it represented the total cost of "the war against poverty." In fact, it is only a small fraction of that cost, recently running in the neighborhood of not much more than a tenth. The following figures are from an official table of "Social Welfare Expenditures Under Public Programs."[1]

Social Welfare Expenditures
(in millions of dollars)

Year	Total	Federal	State and Local
1935	$ 6,548	$ 3,207	$ 3,341
1940	8,795	3,443	5,351
1945	9,205	4,399	4,866
1950	23,508	10,541	12,967
1955	32,640	14,623	18,017
1960	52,293	24,957	27,337
1965	77,121	37,720	39,401
1968	113,839	60,314	53,525
1970	145,350	77,321	68,029
1971 (p.)	170,752	92,411	78,341

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Revenue Sharing?

This gigantic total of $171 billion for "social welfare" is more than triple the figure for 1960 and more than 26 times the figure for 1935. Yet the 29-fold increase in Federal expenditures for welfare in the 35-year period, instead of reducing the burden on the states and cities, as originally promised, has been accompanied by a 23-fold increase even in that local burden.

A similar result is evident if we consider the cost of direct relief alone. Though the Federal government was contributing only 5 per cent of that total cost in 1936 compared with 53 per cent in 1971, the cost to the States and localities has increased 26-fold. So much for the theory that "revenue-sharing", or increased Federal contributions, do anything in the long run to reduce the burden of welfare spending on the states and localities. They lead merely to a total increase in that spending.

So the tendency of welfare spending in the United States has been to increase at an exponential rate. This has also been its tendency elsewhere. Only when the economic and budgetary consequences of this escalation become so grave that they are obvious to the majority of the people – i.e., only when irreparable damage has been done – are the welfare programs likely to be curbed. The chronic inflation of the last 25 to 35 years in nearly every country in the world has been mainly the consequence of welfarism run wild.

The causes of this accelerative increase are hardly mysterious. Once the premise has been accepted that "the poor", as such, have a "right" to share in somebody else's income – regardless of the reasons why they are poor or others are better off – there is no logical stopping place in distributing money and favors to them, short of the point where this brings about equality of income for all. If I have a "right" to a "minimum income sufficient to live in decency", whether I am willing to work for it or not, why don't I also have a "right" to just as much income as you have, regardless of whether you earn it and I don't?

Once the premise is accepted that poverty is never the fault of the poor but the fault of "society" (i.e., of the self-supporting), or of "the capitalist system", then there is no definable limit to be set on relief, and the politicians who want to be elected or re-elected will compete with each other in proposing new "welfare" programs to fill some hitherto "unmet need", or in proposing to increase the benefits or reduce the eligibility requirements of some existing program.

No complete count seems to exist anywhere of the present total

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number of welfare programs. The $171 billion expenditure for social welfare in the fiscal year 1971 is officially divided into roughly $66 billion for "social insurance", $22 billion for "public aid", $11 billion for "health and medical programs", $10 billion for "veterans' programs", $56 billion for "education", nearly $1 billion for "housing", and $5 billion for "other social welfare". But these sub-totals are in turn made up of 47 different groups of programs, and many of these in turn consist of many separate programs.[2]

A Jungle of Agencies

The weary taxpayer reads about such things as food stamps, job training, public housing, rent supplements, "model cities", community-action projects, legal services for the poor, neighborhood health centers, FAP, Office of Economic Opportunity (OEO), Medicaid, Old Age Assistance (OAA), Aid to the Blind (AB), Aid to the Permanently and Totally Disabled (APTD), Aid to Families with Dependent Children (AFDC), General Assistance (GA), manpower training programs, Head Start, VISTA, and on and on, and has no idea whether one is included under another, whether they duplicate each other's functions, which, if any, have been discontinued, or which are just about to start. All he knows is that there seems to be a new one every month.

In 1969, Mrs. Edith Green, a Democratic Congresswoman from Oregon, asked the Library of Congress to compile the total amount of funds a family could receive from the Federal government if that family took advantage of all the public assistance programs that were available.

Taking a hypothetical family of a mother with four children – one a pre-schooler, one in elementary school, one in high school, and one in college – the library informed her of the following:

This family could collect $2,800 from public assistance; $618 from medical assistance because of AFDC; $336 in cash value for food stamps; and about $200 from OEO for legal services and health care. The family would also be entitled to public housing or rent supplements ranging in value from $406 to $636.

The preschool child would be entitled to enter Head Start, the average cost being $1,050 for each youngster. The child in high school would be eligible for $1,440 worth of services from Upward Bound and the youngster in college would be eligible for an education opportunity grant that could be worth anywhere from $500 to $1,000. He also would be eligible for a National Defense Education Act loan, and if he took advantage of the

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forgiveness feature, he could get an outright grant of $520. He would also be eligible for a work-study program costing in the neighborhood of $475. If the mother wanted to participate in the job opportunity program, this would be worth $3,000.

So this imaginary family, a mother with four children, would be able to take advantage of grants and services worth $11,513 for the year.

In another hypothetical case, a mother with eight children could total an annual welfare income of $21,093.[3]

In 1968 Congressman William V. Roth, Jr. and his staff were able to identify 1,571 programs, including 478 in the Department of Health, Education and Welfare alone, but concluded that "no one, anywhere, knows exactly how many Federal programs there are."

In February, 1972, administration witnesses testified before a Congressional committee that there were 168 separate Federal programs geared in whole or in part to combating poverty. But as the total expenditures of these 168 programs were only $31.5 billion (out of $92 billion of Federal "social welfare expenditures") this must have been an incomplete list.

While the Federal government keeps piling up new welfare programs, under Democratic or Republican administrations, almost every individual program shows a tendency to snowball. One reason is that when Congressmen propose a new program, the expenditure set in the initial year is almost always comparatively moderate, to allay opposition – the "entering wedge" technique; but annual increases in spending are built into the law. Another reason is that when a new welfare program is launched, it takes people a little while to catch on to it; and then the stampede begins. A still further reason is that the bureaucrats who administer the program – eager to demonstrate their own vicarious compassion and liberality, as well as the indispensability of their jobs – not only interpret the eligibility requirements very leniently, but actively campaign to advise potential "clients" of their "legal right" to get on the rolls.

There has been a great deal of discussion in the last few years regarding the extent of fraud and cheating among those on relief. From the very nature of the problem this can never be exactly known; but the evidence indicates that it is substantial.

In January, 1971, after a door-to-door check on welfare cases, the State of Nevada struck about 22 per cent of the recipients – 3,000 people – from the relief rolls. The State Welfare Director reported

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that they had been cheating taxpayers out of a million dollars a year through failure to report income from other sources, including unemployment benefits. The director blamed the frauds on a Federal regulation that permitted welfare applicants to obtain aid simply by stating that they met all qualifications.

In Michigan, state welfare officials discovered cases of money being pocketed by welfare clients for dental work which was never performed.

In California, a group of San Francisco Bay area residents – all fully employed – conducted an experiment to prove to county supervisors how easy it is to get on relief. They traveled the circuit of welfare offices, applying for and getting on welfare, usually without even furnishing identification. Governor Reagan said that "one managed to get on welfare four times under four different names in one day – all at the same office."

In his message to the California legislature, Governor Reagan pointed out: "The same government that requires a taxpaying citizen to document every statement on his tax return decrees that questioning a welfare applicant demeans and humiliates him."

A spot check of welfare rolls in New York City by the General Accounting Office, reported in September, 1969, showed that 10.7 per cent of all families on relief there did not meet the eligibility requirements, and that 34.1 per cent of those who were eligible were being overpaid.[5]

In 1971, New York City Comptroller Abraham Beame revealed that the city was losing $2 million a year as a result of forged checks. More millions were lost because people on relief falsely complained that they had not received their checks; they were mailed duplicates. Simply requiring those on relief to come and pick up their checks, rather than getting them by mail, lowered New York City's welfare lists by about 20 per cent.

It is impossible to know how much of the blame for the national and local welfare mess is to be put on relief cheaters and how much on loose administration. It is made so easy to get and stay on relief legally that cheating hardly seems necessary.

On January 12, 1969, *The New York Times* ran a front-page story under the headline: "Millions in City Poverty Funds Lost by Fraud and Inefficiency." It reported that "Multiple investigations of the city's $122-million-a-year antipoverty program are disclosing chronic corruption and administrative chaos," and quoted an assistant district attorney as saying: "It's so bad that it will take

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ten years to find out what's really been going on inside the Human Resources Administration." The next day Secretary of Labor W. Willard Wirtz said that New York City had the worst administrative problem of any antipoverty program in any city in the country.

But the New York situation kept getting worse. In January, 1971, a welfare mother and her four children were assigned to the Waldorf Astoria, one of New York's most elegant hotels, at a cost of $152.64 for two days. The City's welfare agency claimed with a straight face that there was no room elsewhere. But many other routine practices of the City were almost as costly, with entire hotels "temporarily" filled with relief families at hotel rates. One family was put up at the Broadway-Central at a cost of $390.50 a week. Another, a welfare family of fifteen, was put up at a Bronx motel at a rental that would add up to $54,080 a year.[6]

Dependent Children

Much the fastest growing relief program has been Aid to Families with Dependent Children (AFDC). In the ten years from 1960 to 1970 the number of people aided by this program increased from 3,023,000 to 9,500,000. Costs soared from $621 million in 1955 to $4.1 billion in 1970.

The nationwide cheating on this is probably higher than on any other welfare program. The reason is that a mother and her children, legitimate or illegitimate, become eligible for AFDC relief if there is no employed father present. The mothers report that the father has "deserted." "The fact is," according to one authority, "that in many cases the father never really deserts. He just stays out of sight so the woman can get on AFDC rolls. In slum areas, everyone knows this goes on. It is widespread in New York City." Governor Reagan reported that he knew there were 250,000 homes in California where the father had run out.

One of the fundamental causes for the huge and growing load of relief cases is that there is no adequate investigation of eligibility. The excuse offered by some welfare workers is: "It's impossible to do adequate eligibility checks. There isn't time. It's a question of helping people who need help rather than catching people who need catching."

Still another reason why there is no adequate investigation of eligibility is that Federal bureaucratic regulations discourage it. As Governor Reagan has put it: "The regulations are interpreted to mean that no caseworker can challenge or question a welfare ap-

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plicant's statements."[7]

Instead of trying to reform this situation, the Department of Health, Education and Welfare seems mainly concerned to defend it. It has published and circulated widely a booklet called *Welfare Myths vs. Facts*. This turns legitimate criticisms into "myths" by grossly overstating them, and then produces questionable answers. For example:

"Myth: The welfare rolls are full of able-bodied loafers.

"Fact: Less than 1 per cent of welfare recipients are able-bodied unemployed males."

This figure, implying that it would have a negligible effect on welfare to find jobs for these men, is incredibly low. It is apparently achieved by treating any physical impairment, however trivial, as a qualification for family relief; it ignores employable women; and it ignores the fact that the average relief family consists of 3.7 persons, who would move off the rolls if the breadwinner went to work. Another example:

"Myth: Once on welfare, always on welfare.

"Fact: The average welfare family has been on the rolls for 23 months. . . . The number of long-term cases is relatively small."

A 23-month *average* for families on relief is hardly something to be complacent about, even if the figure is accurate. The Department's own charts show that more than a third of those on welfare have been there three years or more. Moreover, the Department's average does not count "repeaters." If a family were on relief for, say, 23 months, off a month, back on for another 23 months, and so on, it would not raise the average. Nor does any figure based on relief at any given point in time count the prospective remaining period each case will be on the rolls. Already families have been found on relief for three generations.[8]

Small wonder that President Nixon, in his State of the Union message of January, 1971, called the existing American relief system "a monstrous, consuming outrage."

• FOOTNOTES •

[1] *Statistical Abstract of the United States*: 1971, table no. 430, p. 271, and *Social Security Bulletin*, December 1971.

[2] See *Social Security Bulletin*, December 1971.

[3] *Human Events*, December 13, 1969.

[4] *New York Times*, February 16, 1972.

[5] These examples were cited in an article "Welfare Out of Control" in *U. S. News & World Report*, February 8, 1971. By coincidence, *Time* and *Newsweek* also carried long feature stories on welfare in their issues of the same date, covering similar material.

[6] *Time*, February 8, 1971.

[7] *U. S. News & World Report*, March 1, 1971.

[8] An excellent analysis of the HEW *Welfare Myths vs. Facts* pamphlet appeared in *The Wall Street Journal* of January 27, 1972 by Richard A. Snyder, a member of the Pennsylvania Senate.

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CLARENCE B. CARSON

THE FOUNDING OF THE AMERICAN REPUBLIC

10

The Declaration of Independence

THE DECLARATION OF INDEPENDENCE is a peculiar, unusual, and in many ways, unique document in the modern world. Of revolutions there have been a surfeit, and more, in the last two hundred years. And accompanying them have been pronouncements, directives, statements, proclamations, and declarations enough for a good start on papering the walls of the Pentagon. Of all such documents, however, one stands out and looms above the rest – the Declaration of Independence. Not only has it been revered usually by the people of the United States, provided the grist for innumerable orations, been memorized – in part – by school children; it also has been almost endlessly quoted in reproach of actual American ways and has been looked to by peoples of other lands as a standard. Supreme Court justices have appealed to it, would-be revolutionaries have claimed its rhetoric, while those of a conservative bent have sought their principles within it. For most of the history of the United States only one national holiday – Thanksgiving – has ranked with the 4th of July, the day set aside for celebrating the signing of the Declaration of Independence.

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It is somewhat strange and a matter for wonder that this document among all those of an era rich with elegant statements should have attained its unique position. John Adams thought that the second day of July would be celebrated, for it was on that day that the resolution for independence was adopted. Moreover, he later declared of the Declaration that "There is not an idea in it, but what had been hackneyed in Congress for two years before."[1] That portion of the document to which people usually refer is exceedingly brief, comprising, at most, two paragraphs, the first of which is only a sentence in length. The remainder of the document is of historical interest only. Moreover, the Declaration is not now, and never has been, a part of the fundamental law of the United States. It lies outside the structure of law which is made up of constitutions, statutes, and the common law. There are, of course, reasons for its position, and they will come out in an analysis of the document and discussion of its background and extension.

There are three dimensions of the Declaration of Independence which should be carefully considered for a clear understanding of it. The first is the contemporary context within which it was written, adopted, proclaimed, and served its purpose. However much it may have come to belong to the ages, the Declaration had a definite purpose and a particular role at the time. The second dimension is its past. The words and phrases are given their meaning not only within the contemporary rhetoric but also from historical doctrines and beliefs. Too, the later applicability of anything said is conditioned by the context of a then past history. The third dimension is its future. What men have made of the document, frequently out of context and with no attention to the concepts which give it any continuing validity, tells us something of the reason for its importance.

The Declaration in Context

The story of the composition and adoption of the Declaration is fairly simple. Richard Henry Lee's resolution for independence, introduced on June 7, 1776, was not immediately adopted. On June 10, Congress decided to delay further discussion of it until July 1, for many delegates awaited instructions, or changes in instructions, from their legislatures before acting affirmatively for independence. Lee's simple and straightforward resolution would have been adequate for the formal declaring of independence. But America badly needed aid from foreign powers if the appeal to arms was to be suc-

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cessful. Thomas Paine had suggested in *Common Sense* that some sort of manifesto be published in order to gain friends with other nations: "Were a manifesto to be published and dispatched to foreign courts, setting forth the miseries we have endured and the peaceable methods which we have ineffectually used for redress; declaring at the same time that... we had been driven to the necessity of breaking off all connections . . . – such a memorial would produce more good effects to this continent than if a ship were freighted with petitions to Britain."[2] This was apparently the origin of the idea for a declaration. Therefore, following the determination to delay adopting Lee's resolution, Congress appointed a committee to produce such a document. The committee was composed of Benjamin Franklin, John Adams, Robert Livingston, Thomas Jefferson, and Roger Sherman.

Thomas Jefferson was assigned the task of producing a draft of the proposed declaration. Had John Dickinson been favorably disposed toward independence at this juncture, the task would probably have been his. Jefferson had only lately acquired a considerable reputation as a writer with his *Summary View of the Rights of British America*. In any case, his selection turned out to have been one of the happiest decisions ever made by a committee. Some minor changes were suggested by Franklin and Adams, and these were incorporated in the document. Congress also made a few alterations.[3] But the finished work was substantially what Jefferson had presented to the committee. Much of the honor which has fallen to the Declaration should be credited to Jefferson's felicity of style, graceful turns of phrase, and the evocative power of words appropriately juxtaposed.

Congress acted quickly once the Lee resolution came before it again on July 1. The next day it was approved unanimously by 12 colonies, though the New York delegation abstained. And then – on the July 4 date which was to be celebrated by posterity – Congress approved the Declaration of Independence.

The stated purpose of the Declaration was to declare to "mankind" the "causes which impel them to the separation." It was addressed, then, to the world at large. It can be conveniently divided into three parts for purposes of discussion: the first is a theoretical justification of revolution and independence; the second is an enumeration of the abuses suffered at the hands of the British; and the third is the formal declaring of independence.

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A Dangerous Action

The theoretical justification of revolution is contained in the first two paragraphs, which are also the most often quoted parts of the Declaration. Interspersed through these paragraphs runs a litany of phrases which have become etched in the minds of Americans: "Laws of Nature and of Nature's God," "truths to be self-evident," "all men are created equal," "endowed by their Creator," "unalienable Rights," and "Life, Liberty and the pursuit of Happiness." The ideas may have been hackneyed, as John Adams said, but the phrases in which Jefferson caught them elevated above the trite and ordinary to the sublimity of enduring poetry.

Yet, ideas are dangerous, as every tyrant knows and even parents of small children suspect; and there is no more dangerous context for setting forth thoughts than the one for which these were written. The Declaration not only declares independence but also proclaims revolt – revolution. Sages may debate as long as they will whether the American revolution was indeed a revolution – and the question is important in some of the later meanings of the word – but there can be no doubt that it was a revolution in the root sense of the word. That is, it was a revolt against and a casting off of the governmental authority which had been exercised over the colonies. Not only that, but it was *successful* – the basic distinction between a revolution and a rebellion. Nothing more dangerous to the peace and safety of a people can be imagined than a revolution: the former authority is cast off, whether law and order will be maintained is gravely in doubt, and man's bent to destruction is likely to be loosed from the ultimate means of confining it.

The point of emphasizing the danger of revolution is to enter a warning: the opening paragraphs of the Declaration of Independence are not something to be casually trotted out on any and all occasions. They are a theoretical justification of revolution, and those who intend less than revolution may well take care in how they refer to them. But the point is also to note the qualifying conditions of the document as to what justifies revolt: "Prudence, indeed will dictate that Governments long established should not be changed for light and transient causes; and accordingly all experience hath shewn, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed."

The case for revolution, as Jefferson presented it, can be sum-

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marized in this way. The Creator has endowed men with certain rights. Governments exist for the purpose of securing these rights to those under them. When a government rather than performing these ends primarily begins destroying them, and indicates by a long term trend that it cannot be brought back to its purpose, "it is the Right of the People to alter or abolish it. . . ." This is the nub of the argument.

A Majority Form of Action

There is much that is left out of the simple statement of the doctrine of the right of revolution contained in the Declaration of Independence. There was no need to spell it out on this occasion, and many of the restrictions are implicit. The oppressions must afflict the people generally; they must, therefore, be by a power alien to the generality of the people. And the right to revolt belongs, at the least, only to a majority, probably only to a consensus, and, ideally, to the people generally. This is to say that *a minority does not have a right to revolution.* The whole idea of a minority having such a right is shot through with contradictions. The minority could only effect this "right" by overcoming the majority. If a minority had a "right" to alter or abolish a government and to erect another in its stead, it would be a "right" to impose its will on a majority.

Do minorities not have rights, then? Assuredly, they do, or so Jefferson and many of his contemporaries thought. All men have rights; but the recourse to revolution belongs only to the preponderance of the people. But suppose a minority (or, for that matter, a combination of several minorities) is oppressed and persecuted, what recourse do the members have? The Founders believed that the members of a minority have rights as individuals which should be protected in the system along with the rights of those who happen to belong to the majority or consensus. For example, they have the right to persuade others of the justice of their cause – that is, to become the majority. Freedom of speech and of the press are devices for assuring the opportunity of exercising the right of persuasion. But suppose all fails within the system to relieve the oppression? What is the ultimate recourse of a minority? The ultimate recourse of an oppressed minority is migration. The right to migrate for a minority is the corollary of the right to revolution for a majority.

Metaphysical Foundations

The right of revolution is metaphysical, not existential (and none may logically claim such a right

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who have not a metaphysics on which to found their case). No government can, in practice, admit the right of its people to revolt against it at any time. The moment such a right is acknowledged effectively, the government abdicates its former power and another government takes its place. No governmental system can be contrived which provides for the right of revolution (though, interestingly, the right of migration can be established). The matter is as clear as it can be when it is seen that the right of revolution involves the right to take up arms against the government. A government ceases to be *the* government when men take up arms against it with impunity. The United States government can decree that the 4th of July is a national holiday – Independence Day –, and celebrations can be held in which the first two paragraphs of the Declaration of Independence are read, but the United States Constitution could not, and does not, incorporate within it the right of revolution. (It does, however, provide for turning out of office some of those who govern, at stated intervals, but the discussion of this can wait.) That is to say, again, the right of revolution is metaphysical, not existential, an explanation of which follows.

The right of revolution has its being prior to, outside of, and beyond government. Jefferson was making his case within a tradition whose groundwork was laid long before. The Declaration of Independence had a past, then, which needs to be a little explored. The two main traditions appealed to are theism and natural law. The rights alluded to are said to be derived from "the Laws of Nature and of Nature's God," and ones with which "they are endowed by their Creator." If there were only history and present existence, no right to revolution could be established, for no government that ever did or does exist could or would accord it. The appeal to right, in this sense, requires an appeal to right that existed before history. It is an appeal to that which and He who was before governments came into being. Although our language has no tense for it, it is an appeal to the timeless and the enduring, to that which has no tense.

In this timeless sphere, Jefferson tells us, "all men are created equal," and are endowed by their Creator "with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness." This has been, no doubt, the most troublesome passage in the Declaration. What can it mean that all men are created equal? The most immediate meaning,

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within the time context, is that Americans are equals of Englishmen. They had been contending for this since the dispute between the two had occurred. Americans had claimed that they had the same right to tax themselves as Englishmen, the same right to legislate, and eventually they claimed the same trading privileges. It was the failure of the British government to accord them equal rights which had provoked the dispute. The justification for revolt now became the fact that they had been deprived of their rights. This needs further discussion in terms of what men were to make of the phrase later. Before going into that, one other matter from the past needs to be considered.

The justification for revolt by the colonies was tied up with the institution of monarchy. Whether or not they would have their grievances redressed depended in considerable measure upon the will of the king. Hereditary monarchy had long posed a problem in political theory, at least for Western thinkers. Suppose the monarch were a tyrant? Suppose he imposed his will, in an arbitrary and despotic fashion, over the people? It had long been held, by some, that it was the right of the people to kill a tyrant. However attractive the idea might have been to some Americans, they never seriously considered it. And for very good reason: it would not have settled the issues in contention. But the fact that they were ruled by a monarch gave the colonists a justification for revolution that is denied to those who live under elective executives.

Equality Before the Law

Returning to the matter of equality, it should be stated that the phrase "all men are created equal" had and has a much broader potential of application than to the simple proposition of the equality of Englishmen and Americans. Its meaning is fairly clear in the context: all men have an equal claim to certain natural rights. More, the case is implicit for equality before the law, that is, that the law shall deal with acts and not classes of people. Nor is there any reason to doubt that Jefferson believed this principle applied to blacks as well as whites, and that there should only be free men, not slaves.

Later in American history, some have read the Declaration of Independence into an idealistic framework. It is from this angle that some would see the Declaration as calling for continuing revolution and as a dream for America that is yet to be realized. Such notions separate the doctrines al-

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most entirely from the context of ideas behind them as well as the temporal context in which they were written. Continual revolution is a nonsensical notion; within this context, at least, it could only mean a continual warfare over who is to govern. Jefferson based his argument on metaphysical propositions, not idealistic ones. The equality upon which he bases his position is one that has always been, not one that might someday be achieved. True, he declares that the purpose of government is to secure men their rights. It is surely true, also, that governments have most frequently not done this well. The point may be too abstruse to be readily grasped, but Jefferson was not saying that an ideal government would establish this ideal equality; he was saying that a government performing its *appropriate* function would do so. Of course, the phrases do not touch upon equality within society at all; they apply to equality before the law.

The theoretical justification of revolution contained in the first two paragraphs tells us only that there can occur situations in which a people may be justified in revolting against the authority over them. This is the case, we are told, when the government has consistently abandoned its role of protecting the people in their rights and become the persistent violator of them. It is the burden of the body of the Declaration to show that the British government had done this to America.

The Case Against the King

The case is summed up in the next to last sentence of the second paragraph: "The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States." It should be noted here that all the acts are blamed upon the monarch. There was, of course, a reason for doing this as a tactic. Loyalty to the king was the tie that Americans had clung to the longest. It was the one which now must be disavowed and broken if independence was to be achieved. Some purport to see in this blaming of all the acts of the government upon the king disingenuousness by Jefferson and those who concurred in his formulations. The charge has little merit; the tactic is fully justified in British constitutional theory. By that theory, the acts of ministers are acts of the king. Even the acts of Parliament are acts of the Crown-in-Parliament. Moreover, the king had neither disallowed nor disavowed the acts in question, which he might have done. If there was

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disingenuousness to be charged, it should be about the fact that they had delayed so long in laying upon the king the blame for what was happening. Colonists had, for a decade, blamed Parliament and ministers for what was happening. But this, too, is understandable; it was a means of resisting without revolt. Now the case could be stated bluntly, and the blame could be placed where it justly rested, in the final analysis.

In any case, the British government was indicted for its acts by a listing of them in the Declararation, acts charged to George III. Even a truncated version shows how weighty and damaging was the case against him:

He has refused his Assent to Laws. . . .

He has forbidden his Governors to pass Laws. . . .

He has refused to pass other Laws for the accomodation of large districts of people. . . .

He has called together legislative bodies at places unusual, uncomfortable, and distant from the depository of their Public Records. . . .

He has dissolved Representative Houses repeatedly. . . .

He has refused for a long time, after such dissolutions, to cause others to be elected. . . .

He has endeavoured to prevent the population of these States. . . .

He has obstructed the Administration of Justice. . . .

He has made Judges dependent on his Will alone. . . .

He has erected a multitude of New Offices, and sent hither swarms of Officers to harrass our People, and eat out their substance.

He has kept among us, in times of peace, Standing Armies without the Consent of our Legislatures.

He has affected to render the Military independent of and superior to the Civil Power.

He has combined with others to subject us to a jurisdiction foreign to our constitution. . . .

For quartering large bodies of armed troops among us.

For protecting them . . . from Punishment. . . .

For cutting off our Trade with all parts of the world.

For imposing Taxes on us without our Consent.

For depriving us, in many cases, of the benefits of Trial by Jury.

For transporting us beyond Seas to be tried for pretended offences.

For abolishing the free System of English Laws in a neighbouring Province, establishing therein an Arbitrary government, and enlarging its Boundaries. . . .

For taking away our Charters. . . .

For suspending our own Legislatures, and declaring themselves invested with Power to legislate for us in all cases whatsoever.

He has abdicated Government here, by declaring us out of his Protection and waging War against us.

He has plundered our seas, ravaged our Coasts, burnt our towns,

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and destroyed the Lives of our people.

He is at this time transporting large Armies of foreign Mercenaries to compleat the works of death, desolation, and tyranny. . . .

He has constrained our fellow Citizens taken Captive on the high Seas to bear Arms against their Country. . . .

He has excited domestic insurrections amongst us. . . .

A case can be made, of course, that there is some hyperbole amongst the charges listed. Some of the acts were done only against selected colonies. One or two of them may have been mere potentiality. Some of the charges are repeated in slightly different formulations. Yet every one of them has substance behind it. The nature of the Declaration was such that an act done against one of the colonies could properly be considered as done against all of them. A jury charged with establishing the facts alleged in the indictment almost certainly would have found Britain guilty of all, or almost all, of the charges brought, after reviewing the mass of evidence that could have been assembled.

No Alternative

The Declaration of Independence was not suddenly sprung upon Britain and the world. The Americans had not suffered abuse in silence, only to lash out in a fit of anger without warning. As Jefferson said: "In every stage of these Oppressions We have Petitioned for Redress in the most humble terms: Our repeated Petitions have been answered only by repeated injury." Not only had appeals been made to the king but also to the British people, or, as the Declaration says, "to our British brethren." But "They too have been deaf to the voice of justice and consanguinity."

But one course lay open to the Americans, then, and they were taking it. The final paragraph declares the independence of the states from Great Britain. The phrases of the concluding paragraph are, if anything, more felicitous than those of the opening paragraphs. The rhetoric, once again, rises above anything remotely petty or trivial to state the case for the ages. There is an appeal "to the Supreme Judge of the world for the rectitude of our intentions," and "in the Name, and by Authority of the good People of these Colonies." They "solemnly publish and declare" that they are "Absolved from all Allegiance to the British Crown," and that they are "Free and Independent States." "And for the support of this Declaration, with a firm reliance on the Protection

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of Divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor."

The Declaration of Independence has been celebrated but not because it contains a theoretical justification of revolution or because it indicted George III for the wrongs done the colonies. Americans have no more generally venerated revolution as a good than they have clung to an enmity with the British people. The message of the Declaration is that revolution is a thing to be avoided so far as can be done, and entered upon only under dire necessity. The results of revolution are too unpredictable to warrant its encouragement; the destruction it portends too likely for the casual contemplation of it as a means to good ends. Revolution is negative and destructive. Far from being a thing of great value, it is a devaluation of the political coin of the realm.

The Declaration of Independence has been celebrated for good and sufficient reasons, reasons other than those connected with revolution. It has been celebrated, of course, because it marks the beginning of independence. It marks, too, the inception – the birth – of a nation, though it probably had not been conceived at the time. It was surely almost accidental that the very name by which this nation was to be called – the United States of America – appeared in the Declaration. It was only the statement of a hoped-for condition – "the united States of America" – when it was written.

The Declaration contains, too, a principled statement of the great purpose for which governments exist – to protect the people in the enjoyment of their rights. The first two paragraphs of the Declaration may be read and re-read – as they have been over the years – not as a justification or call for revolution but as a reminder of the good and proper ends of government to a people who have in their hands the control of the government over them. It contains, too, in its main body a list of abuses to which governments are prone. These United States had a goodly beginning, in spite of the revolution which was made. The good beginning was because of the great principles which were raised up before the people in the Declaration of Independence.

[1] Quoted in John R. Alden, *A History of the American Republic* (New York: Alfred A. Knopf, 1969), p. 243.

[2] Nelson F. Adkins, ed., *Thomas Paine* (New York: Liberal Arts Press, 1953), pp. 43-44.

[3] See Alden, *op cit.*, pp. 241-42.

Next: The War for Independence.

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The Causes of INFLATION

HANS F. SENNHOLZ

IT IS NOT MONEY, as is sometimes said, but the depreciation of money – the cruel and crafty destruction of money – that is the root of many evils. For it destroys individual thrift and self-reliance as it gradually erodes personal savings. It benefits debtors at the expense of creditors as it silently transfers wealth and income from the latter to the former. It generates the business cycles, the stop-and-go boom-and-bust movements of business that inflict incalculable harm on millions of people. For money is not only the medium for all economic exchanges, but as such also the lifeblood of the economy. When money suffers depreciations and devaluations it invites government price and wage controls, compulsory distribution through official allocation and rationing, restrictive quotas on imports, rising tariffs and surcharges, prohibition of foreign travel and investment, and many other government restrictions on individual activities. Monetary destruction breeds not only poverty and chaos, but also government tyranny. Few policies are more calculated to destroy the existing basis of a free society than the debauching of its currency. And few tools, if any, are more important to the champion of freedom than a sound monetary system.

Inflation is defined here as the creation of new money by monetary authorities. In more traditional usage, it is that creation of money that visibly raises goods prices and lowers the purchasing power of money. It may be creep-

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ing, trotting or galloping, depending on the rate of money creation by the authorities. It may take the form of "simple inflation," in which case the proceeds of the new money issues accrue to the government for deficit spending. Or it may appear as "credit expansion," in which case the authorities channel the newly created money into the loan market. The government may balance its budget, but in order to stimulate business and promote full employment it may inject new credits into the banking system. Both forms are inflation in the broader sense and as such are willful and deliberate policies conducted by government.

Ours is the age of inflation.[1] All national currencies have suffered serious depreciations in our lifetime. The British pound sterling, the shining example of hard money for one hundred years, has lost almost 90 per cent of its purchasing power and suffered four devaluations since 1931. The powerful U.S. dollar of yesteryear has lost at least two-thirds of its purchasing power and continues to shrink at accelerating rates. In the world of national currencies there have been nearly 400 full or partial devaluations since World War II. Many currencies have suffered total destruction and their replacements are eroding again.

[1] Cf. Jacques Rueff, *The Age of Inflation* (Gateway Editions, Henry Regnery Company, Chicago, Ill., 1964).

Ideas Shape Policies

To inquire into the causes that induce governments the world over to embark upon such monetary policies is to search for the monetary theories and doctrines that guide their policy makers. Ideas control the world, and monetary ideas shape monetary policies. Several distinct economic and monetary doctrines have combined their forces to make our age one of inflation. One doctrine in particular enjoys nearly universal acceptance: the doctrine that *government needs to control the money.*

Even many of the champions of private property and individual freedom stop short at money. They are convinced that money cannot be left to the vagaries of the market order, but must be controlled by government. Money must be supplied and regulated by government or its central bank. That money should be free is inconceivable to typical twentieth-century man. He depends on government to mint his coins, issue his notes, define "legal tender," establish central banks, conduct monetary policy, and then stabilize the price level. In short, he wholly relies on government regulation of money. But this trust in monopo-

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listic monetary authority operating through political processes inevitably gives rise to monetary destruction. In fact, money is inflated, depreciated, and ultimately destroyed wherever government holds monopolistic power over it.

Government Control of Money

Throughout the history of civilization, governments have been the chief cause of monetary depreciation. It is true, variations in the supply of metallic money, due to new gold and silver discoveries, occasionally affected the value of money. But these changes were rather moderate when compared with those caused by government coin debasements or note inflations. Especially since the rise of statism and the "redistributive society," governments all over the world have embarked upon unprecedented inflations the disastrous effects of which can only be surmised. To entrust our money to government is like leaving our canary in trust with a hungry cat.

From the Roman caesars and the Medieval princes to contemporary presidents and prime ministers, their governments have this in common: the urgent need for more revenue. The large number of spending programs such as war or preparation for war, care of veterans and civil servants, health, education, welfare, urban renewal, and the like, places a heavy burden on the public treasury, which is finally tempted to provide the necessary funds through currency expansion. True, government at first may merely endeavor to tax wealth and income – tax Peter to pay Paul. But this convenient and popular source of government support is practically exhausted when Peter's income tax reaches one hundred per cent. At this point, for additional revenue, the government must either raise everyone's taxes or turn to currency expansion. But the former is rather unpopular and therefore inexpedient politically. To win elections, the taxes may even be lowered and the inevitable deficits covered through currency creation, i.e., inflation.

The Steps Toward Monopoly

The first step toward full development of this source of revenue was the creation of a *government monopoly of the mint.* To secure possession of the precious metals that circulated as coins, the sovereign prohibited all private issues and established his own monopoly. Minting became a special prerogative of the sovereign power. Coins either carried the sovereign's picture or were stamped with his favorite emblems. But above all, his mint could now charge any price for the coins it manufactured. Or it could reduce the precious metal

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content of the coins and thus obtain princely revenues through coin debasement. Once this prerogative of sovereignty was safely established, the right to clip, degrade, or debase the coinage was no longer questioned. It became a "crown right" that was one of the chief sources of revenue.[2]

An essential step toward gradual debasement of the coinage was the separation of the name of the monetary unit from its weight. While the original names of the coins designated a certain weight and thus afforded a ready conception of their gold or silver contents – pound, libra or livre, shilling, mark, and so on – the new names were void of any reference to weight. The pound sterling was no longer a pound of fine silver, but anything the sovereign might designate as the national monetary unit. This change in terminology widely opened the door to coin debasement.

The next step toward full government control over money was the passage of *legal tender laws*, which dictates to people what their legal money can be. Such laws are obviously meaningless and superfluous wherever the ordinary law of contract is respected. But where government wants to issue inferior coins or depreciated paper notes, it must use coercion in the form of legal tender legislation. Then it can circulate worn or debased coins side-by-side with the original coins, falsify the exchange ratios between gold and silver coins, and discharge its debt with the over-valued coins, or make payments in greatly depreciated fiat money. In fact, once legal tender laws were safely established, debt repudiation through monetary depreciation could become one of the great injustices of our time. Contemporary jurisprudence and jurisdiction were utterly paralyzed in their defense and administration of justice once they accepted legal tender laws. A debt of a million gold marks thus could be legally discharged with one million paper marks that bought less than one U.S. penny. And a government debt of fifty billion 1940 dollars can now be paid or refunded with a 1971 dollar issue that is worth less than one-third of the original amount. With the blessings of the courts, millions of creditors can now be swindled out of their rightful claims, their property legally confiscated.[3]

But absolute government control over money was only estab-

[2] Cf. Elgin Groseclose, *Money and Man* (Frederick Unger Publishing Co., New York, 1961), p. 55 *et seq.*

[3] Ludwig von Mises, *Human Action* (Yale University Press, New Haven, 1949), pp. 432, 444.

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lished when money substitutes in the form of *paper notes and demand deposits* came into prominence. As long as governments had to make payments in commodity money, inflationary policies were limited to the primitive methods of coin debasement. With the advent of paper money and demand deposits, however, the power of government was greatly strengthened, and the scope of inflation vastly extended. At first, people were made familiar with paper money as mere substitutes for money proper, which was gold or silver. Government then proceeded to withdraw the precious coins from individual cashholdings and concentrate them in its treasury or central bank, thus replacing the classical gold-coin standard with a gold-bullion standard. And finally, when the people had grown accustomed to paper issues, government could deny all claims for redemption and establish its own fiat standard. All checks on inflation had finally been removed.

The Role of the Central Bank

The executive arm of government that conducts the inflation usually is the *central bank*. It does not matter who legally owns this bank, whether private investors or the government itself. Legal ownership always becomes empty and meaningless when government assumes total control. The Federal Reserve System which is legally owned by the member banks is the monetary arm of the U.S. Government and its engine of inflation. It enjoys a monopoly of the note issue which alone is endowed with legal tender characteristics. Commercial banks are forced to hold their reserves as deposits with the central bank, which becomes the "banker's bank" with all the reserves of the country. The central bank then conducts its own inflation by expanding its notes and deposits while maintaining a declining reserve ratio of gold to its own liabilities, and directs the bank credit expansion by regulating the legal reserve requirements the commercial banks must maintain with the central bank. Endowed with such powers, the central bank now can finance any government deficit, either through a direct purchase of treasury obligations or through open-market purchase of such obligations, which creates the needed reserves for commercial banks to buy the new treasury issues.

The final step toward absolute government control over money, and its ultimate destruction, is the *suspension of international gold payments*, which is the step President Nixon took on August 15, 1971. When a central bank is hopelessly overextended at home and

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abroad, its currency may be devalued, which is a partial default in its international obligations to make payment in gold; or, in an outburst of abuse against foreigners and speculators, the government may cease to honor any payment obligations, as in the case of the U.S. default. All over the world, government paper now forms 120 national fiat standards that are managed and depreciated at will.

The decline of monetary freedom and the concomitant rise of government power over money gave birth to our age of inflation. Step by step, government assumed control over money, not only as an important source of government revenue but also as a vital command post over our economy. The result is continuing inflation. Only monetary freedom can impart stability.[4]

Welfarism and Inflation

Even the noblest politicians and civil servants can no longer be expected to resist the public clamor for social benefits and welfare. The political pressure that is brought to bear on democratic governments is rooted in *the popular ideology of government welfare and economic redistribution.* It inevitably leads to a large number of spending programs that place heavy burdens on the public treasury. By popular demand, weak administrations seeking to prolong their power embark upon massive spending and inflating in order to build a "new society" or provide a "better deal." The people are convinced that government spending can give them full employment, prosperity, and economic growth. When the results fall far short of expectations, new programs are demanded and more government spending is initiated. When social and economic conditions grow even worse, the disappointments breed more radicalism, cynicism, nihilism, and above all, bitter social and economic conflict. And all along, the enormous increase in government spending causes an enormous increase of taxes, chronic budget deficits and rampant inflation.[5]

The "redistributive" aspirations of the voting public often induce their political representatives in Congress to authorize and appropriate even more money than the President requests. Such programs

[4] Cf. Ludwig von Mises, *The Theory of Money and Credit* (FEE, Irvington, N. Y., 1971), pp. 413 *et seq.;* Murray N. Rothbard, *Man, Economy, and State* (D. Von Nostrand Co., Princeton, 1962), p. 661 *et seq.;* also his concise *What Has Government Done to Our Money?* (Pine Tree Press, 1963).

[5] Henry Hazlitt, *Man vs. The Welfare State* (Arlington House, New Rochelle, N. Y., 1969), p. 57 *et seq.*

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as social security, medicare, anti-poverty, housing, economic development, aid to education, environmental improvement, and pay increases for civil servants are so popular that few politicians dare to oppose them.

The government influences personal incomes by virtually every budget decision that is made. Certainly its grants, subsidies, and contributions to private individuals and organizations aim to improve the material incomes of the beneficiaries. The loans and advances to private individuals and organizations have the same objective. Our foreign aid program is redistributive in character as it reduces American incomes in order to improve the material condition of foreign recipients. The agricultural programs, veteran's benefits, health, labor and welfare expenditures, housing and community development, Federal expenditures on education, and last, but not least, the social insurance and medicare programs directly affect the incomes of both beneficiaries and taxpayers. As the benefits generally are not based on tax payment, but rather on considerations of social welfare, these programs constitute redistribution on a nationwide scale. Foreign aid programs have extended the principle of redistribution to many parts of the world.

Whenever government expenditures exceed tax collections and the government deficit is covered by currency and credit expansion, we suffer inflation and its effects. The monetary unit is bound to depreciate and goods prices must rise. Large increases in the quantity of money also induce people to reduce their savings and cash-holdings which, in the terminology of mathematical economists, increases money "velocity" and reduces money value even further. It is futile to call these people "irresponsible" as long as the government continues to increase the money stock.

Labor Union Pressures

A very potent cause of inflation is the unrelenting wage pressure exerted by labor unions. It is true, labor unions do not directly enhance the quantity of money and credit and thus cause the depreciation. But their policy of raising production costs inevitably causes stagnation and unemployment. This is why the union strongholds are the centers of unemployment. Faced with serious stagnation, the labor leaders are likely to become spokesmen for all schemes of easy money and credit that promise to alleviate the unemployment plight. The democratic government in turn does not dare to oppose the unions for political reasons. On

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the contrary, it does everything in its power to reduce the pressure which mass unemployment exerts on the union wage rates. It grants ever larger unemployment benefits and embarks upon public works in the depressed unionized areas. At the same time it expands credit, which tends to reduce real wages and to encourage employment.

The demand for labor is determined by labor costs. Rising costs reduce the demand, falling costs raise it. Inasmuch as inflation reduces the real costs of labor, it actually creates employment. When goods prices rise while wages stay the same, or prices rise faster than wages, labor becomes more profitable to employers. Many workers, whose employment costs heretofore had exceeded the value of their productivity so that they were unemployable, now can be profitably re-employed. Of course, this employment-creating policy is then counteracted by such unemployment factors as rising minimum wage rates, higher unemployment benefits and welfare doles, and rising union wage scales and fringe-benefit costs. In many industries, the labor unions have introduced "cost-of-living clauses" that aim to prevent the decline of real wages through monetary depreciation. Or their wage demands take into consideration the rising rates of monetary depreciation. Their demands may become "exorbitant," their strikes longer and uglier, and the economic losses inflicted on business and the public ever more damaging until businessmen clamor for government wage controls. With wage controls come price controls and the whole paraphernalia of the command system.

The "New Economics"

To give "scientific" justification to the policy of inflation, a host of contemporary economists have developed intricate theories, commonly known as the *new economics*. Basically, they all ascribe to government the magic power of creating real wealth out of nothing, of raising the "national income" through minute efforts of the central bank and its printing presses. They are unanimous in their condemnation of the gold standard, which to them means domination by "external forces" and denial of national independence in economic policies. Of course, the "independence" they so jealously uphold is tantamount to government control over money matters. They want "fiat money," i.e., government money without restraint by a commodity such as gold. Though some would allow us the freedom to buy and hold gold coins or bullion, they know very well that the legal tender laws

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that support the fiat standard deny us the right to use gold in economic exchanges, which relegates all coins to hoards and coin collections.

Only free money is sound money. This is why one should be suspicious of any and all proposals that would enhance the power of government over money. A currency reform, whether domestic or international, that does not endeavor to dismantle this power, cannot provide monetary stability. It is destined to lead to more inflation and depreciation, to economic upheaval and decline. Sound money means the gold-coin standard; it makes the value of money independent of government, as the quantity of gold is independent of the wishes and manipulations of government officials and politicians. It needs no "rules of the game," no arbitrary rules people must learn or government must observe. It is born in freedom and follows inexorable economic law.[6]

[6] Hans F. Sennholz, *Inflation or Gold Standard*, Constitutional Alliance, Inc., Lansing, Michigan.

* * * * * *

Frugality and Economy

Manifestly nothing is more vital to our supremacy as a nation and to the beneficent purposes of our Government than a sound and stable currency. Its exposure to degradation should at once arouse to activity the most enlightened statesmanship, and the danger of depreciation in the purchasing power of the wages paid to toil should furnish the strongest incentive to prompt and conservative precaution.

In dealing with our present embarrassing situation as related to this subject we will be wise if we temper our confidence and faith in our national strength and resources with the frank concession that even these will not permit us to defy with impunity the inexorable laws of finance and trade. . . .

Closely related to the exaggerated confidence in our country's greatness which tends to a disregard of the rules of national safety, another danger confronts us not less serious. I refer to the prevalence of a popular disposition to expect from the operation of the Government especial and direct individual advantages.

GROVER CLEVELAND
Second Inaugural address, March 4, 1893

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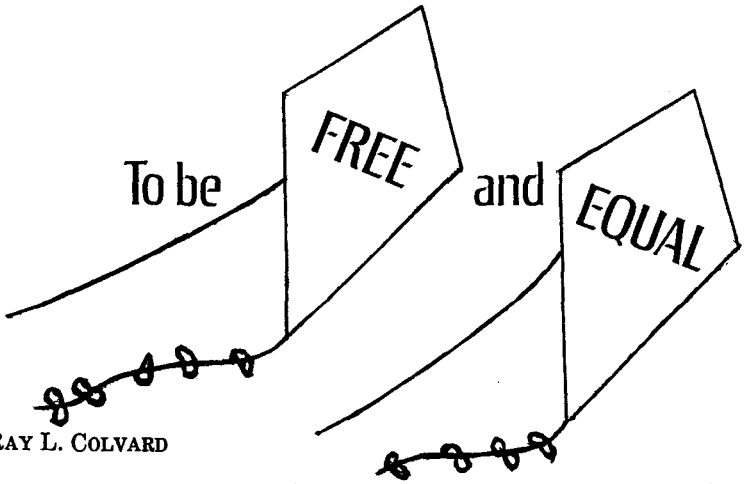

RAY L. COLVARD

PERCEPTIVE STUDENTS of the freedom philosophy will note the absurdity of my title. Freedom and equality are opposed and contradictory points of the political economy. One extreme is the unshackled and unmuzzled autonomy of personal independence. The other is the leveling tit-for-tat security of collectivism. As individuals or as a nation we cannot have it both ways. One extreme is anarchy. The other is regimentation.

The demand for absolutes, for wanting it all, is an earmark of immaturity. We who would be adult are not surprised when we see an ill-tempered preschool child kick his new tricycle viciously, then scream in his tantrum of fury that "the bad thing hurt me." He is utterly frustrated by the attendant consequence to him; *his* toe is bruised. His wails of anguish and rage are designed to bring parental compassion and, hopefully, a new toy to offset the "injustice" of his misfortune.

During the past few weeks at institutions of higher education in Southern California, a new year's glut of academic graffiti has appeared with slight variations in artistry and spelling. This is an example: I AM A PAWN IN THIS CAPITALIST CHESS GAME. When I see this particular epigram, I invariably think of an unruly child and his tricycle.

Doubtless I am biased by age if not by maturity. I tend to agree with Milton Friedman's concept of economics: "There is no free lunch." As a militant middle-of-the-road high school teacher I mistrust lobbyists for farm subsidies and advocates for welfare rights.

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Each man's right to be different is a right. James Madison delineated this point. Writing in the *National Gazette* in 1792 he noted:

> . . . as a man is said to have a right in his property, he may be equally said to have a property in his rights.
>
> When an excess of power prevails, property of no sort is duly respected. No man is safe in his opinions, his person, his faculties or his possessions.

Few of our youth, if allowed to choose individualism, will resign themselves to the "security" of mass equality. They, like the great Goethe, know "as soon as you trust yourself, you will know how to live." Not only do they see the satirical paradox in: "Be my brother or I'll kill you"; they see it as well in the vaunted revolutionary concept of Rousseau that individuals must "be forced to be free." The right of the individual to choose must include the right to choose unwisely. It follows, moreover, that a mature individual will accept the responsibility not only of choosing, but also of the consequences. In a free society each individual does what he thinks is best for him individually.

An acquaintance of mine retired from the Navy as a Chief Petty Officer in 1960. An uncle of his was highly critical. "Twenty years in the service," the elder kinsman said, "and you're still only an enlisted man. My son's been in for just six years and he's a Lieutenant Commander."

During the ten years which have elapsed since the incident, the retired Chief has been a high school history teacher. Recently his uncle commiserated with him again for his lackluster showing. "You still stuck in the classroom?" the old man asked. "By this time you should be a principal." He is completely unable to accept the behavior of his forty-five-year-old nephew as rational. That the nephew may value satisfaction over prestige in his work is wholly incomprehensible.

Let Each Be Responsible for The Results of His Choices

My professor in an industrial management course described an accident which occurred in a cornstarch refinery several decades ago. An explosion in a partially filled railway car caused adjacent cars and loading platforms to be demolished. Fires spread throughout the area. Three workers were killed in the blast, a dozen seriously injured screamed in pain and terror. The manager was in shock, walking about muttering aimlessly: "What will I do? What will I do?" A dispatcher from the shipping office took charge. He

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quelled the panic about to start, he sent out crews to fight fires, he organized rescue squads to get aid to the injured, he put men at work clearing paths for the fire trucks and ambulances which he summoned.

The professor concluded his lecture a few minutes early and left the room. I followed him to his office. "Look," I said, "I want to hear the rest of the story. Wasn't the manager fired; didn't the dispatcher get a promotion?"

"Of course not," he said. "The dispatcher, when it was all over, was still a dispatcher. That was his job. The plant manager was still the manager. Why not? He had a Ph.D. in chemistry and a Master's in Business Administration. He earned his position by ten years of university study, ten years of management training, and 'know-how' that saved the company ten million dollars every year. Both men were in their economic positions of their own free choice. Only in folklore would the dispatcher be jumped precipitously to the office of vice-president as the disgraced manager was stripped of his executive washroom key and drummed in disgrace out of the company's gates. In industry prospective managers choose to become and become high salaried managers because they take on a responsibility to drive themselves toward that ambition."

"I doubt that I'm that ambitious," I told him.

"Neither am I," he said. "I know it and I'd rather be here in the university. But there is an important point that you and I, the less intensely ambitious people, must remember: it's morally dishonest and intellectually shallow for us to blame anybody but ourselves for the responsibility of our choices."

Self-Respect Comes First

Three hundred years ago the philosopher, John Locke, told us: "He that would have his son have a respect for him and his orders, must himself have a great reverence for his son." Whenever I point the finger of scorn at my fellows I am acutely aware of the three remaining fingers pointing back to me. We who have chosen to work in the nation's schools are guilty three-fold in denying students freedom to choose. We arbitrarily determine performance levels for them; we defend our legal public monopoly of pedagogical services; and we demand compulsory attendance laws. Perhaps we need a greater reverence for the business we are in and a healthier confidence in our performance.

Although contemporary legal decisions have weakened the educa-

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tional concept "in the place of a parent," the students who come into our classrooms are morally our sons—or daughters—and each of them deserves from us an individual acceptance as an independent, unique, and thinking personality. As teachers we must not beat them down to a placid level of mediocrity. Hopefully, we can, if we try enough, give each of them the elbow room of multilateral awareness, of diversified choice, of unlimited scope, of an unequivocal independent responsibility for his or her own self-realization. We can no longer afford the luxury of blaming an imperfect economic system for our own nonsuccess. As Voltaire wrote, "It is not the scarcity of money, but the scarcity of men and talents, which makes a state weak."

Faith in Freedom

The lack of faith of so many of us in schools, educators, and school boards, weakens our teaching of personal responsibility by the ubiquitous trust we have in an awesome and benevolent government whose panacea is looming for all our ills. Voltaire, the man of reason, said something also for those of us who are looking to this powerful benefactor for support: "In general, the art of government consists in taking as much money as possible from one class of citizen to give to the other." It is unfortunately the commonplace for school superintendents to vie for the Federal bonanza. Their quest for "equality," at the cost of freedom, causes them to bus "Yellow" students to "Brown" neighborhoods and "Black" students to "White." Perhaps we should ask ourselves whether equality is a laudable goal or whether freedom of choice might not be more in keeping with the democratic principles in which we claim faith.

If we must err, please God, may it be on the side of freedom.

IDEAS ON LIBERTY

The Fundamental Political Principle

Now, the cardinal doctrine of any sound political system is, that rights and duties should be in equilibrium.... An immoral political system is created whenever there are privileged classes – that is, classes who have arrogated to themselves rights while throwing the duties upon others. In a democracy all have equal political rights. That is the fundamental political principle.

WILLIAM GRAHAM SUMNER
What Social Classes Owe to Each Other (1883)

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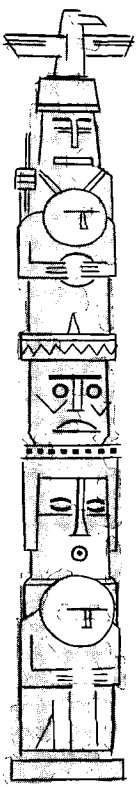
STATUS

end product of welfare



MORRIS C. SHUMIATCHER

IN 1066, William the Conqueror proclaimed himself master of all of the lands of Britain he had taken and occupied – all of which he declared to be his property as lord, or his fiefdom as king. Feudal culture grew upon the premise and concept that all life should be ordered in accordance with the estate in land given to each man and the status thus acquired by him and his family.

Beneath the monarchial master who was king stood the lords, who acquired their lands from the crown and were therefore bound in loyalty to their sovereign. They were, of course, required to support the monarch with money in time of peace and with men and arms in time of war. The rights and duties of the lord *vis-a-vis* his king were fixed and certain. The lord's knights and men were likewise bound to do service and grant support, to receive and swear fealty to the lord and to the king. The lord, in turn, was bound to recognize the status of his knights and to accord them the benefits of that status in the feudal society. The serfs and vassals of the lord's

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estate in turn swore fealty to their lord. Theirs was an obligation to serve him in return for which they enjoyed the right to till the soil to which they were bound. Though technically a free man, the serf passed with the ownership of the land from owner to owner. He grew his grain on the lord's soil, ground his flour at the lord's mill, baked his bread in the lord's oven, and for these rights he paid a fee to the lord in terms of his labor.

The lords, the nobles, the knights, the serfs – all had their place in society, fixed by the customs of the feudal hierarchy. Stability was the criterion of the society that William and his successors sought to achieve and which, for five centuries, assured security to each class according to custom. Every individual had a place – and there was a place for every individual, but that place was, in fact, a prison. The bars of feudal society were the multitudinous rules and regulations which governed the daily life of all people. Each was bound by the invisible chains of his status that could not be altered. Each man's estate was determined not by what he did or what he was capable of doing or what he might wish to do. It was determined by where he was born, and when, and to whom. The clothing which each member of an estate could wear was regulated. The games one could play, the homage to be received or rendered, the spouse one might take in marriage, the rituals one was required to perform – all of these were fixed and determined by rules from which there could be no deviation. Departure from the rules meant loss of status or ostracism, and failure to abide by the edicts of the church might mean denouncement, imprisonment, or death. All of the minutiae of life, from womb to tomb, were strictly regulated and religiously enforced by the feudal society. It might be the king's prerogative to travel through the country and enjoy the lord's bed and board, or the lord's right to sample his vassal's beef or his bride, or the knight's liberty to loot and plunder from an enemy.

A Break from Feudalism

The curtain of security that the feudal system and the medieval church had cast about all members of society was gradually torn away. Serfs and vassals and knights broke through that curtain and left the land and moved into the towns where they became artisans and tradesmen, merchants and dealers. Gradually, they entered the middle-class professions and some became members of a new class of bourgeoisie. They were able to work under contracts

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which, for the first time, they were free to negotiate for themselves. Their status was no longer determined by the accident of birth. It mattered not who they were. What did matter was what they were able to do, and as a consequence they came to be recognized and rewarded for what they did. Their productivity determined the money return they could expect to receive for their services from their neighbors and fellow-burghers. Reward came not as a result of their status and the rights and obligations flowing out of that status, but as a result of what they knew and what they produced that was useful and salable. The free market replaced the rigid rules of the feudal estates. Free contract replaced fealty. Value, openly determined, replaced price arbitrarily ordered. The law of the marketplace came to displace the law of the feudal lord. Free competition eventually replaced legislated controls.

The new society was a less secure place for the individual than the feudal society had been. A man soon found that he ran the risks of failure and starvation. And if he did not succeed, he was likely to be abandoned, and might fall sick and die without so much as a crust of bread or the presence of a priest. Until there were established the guilds and friendly societies and brotherhoods of mutual assistance, this new freedom was a fearsome thing. Yet it was a challenging experience as well, and one which was welcomed by those who, for the first time, were free to pit their ingenuity and energies, not against the intransigent forces of a system that fixed in advance the limits of their own growth and development, but against natural forces which they might succeed in overcoming and turning to their own advantage. In the new game, the deck was at least not stacked against them from the outset; they had a chance to win. With knowledge, skill, persistence, and luck, an amazing number of men did succeed.

Release of Energy

Out of this new freedom from the strait jacket of status which had so long limited and strictly defined the rights and obligations of each class in society, there were generated new energies. Originality emerged, and innovations that enlivened an age which, for five hundred years, had fed only on the past. New trades and industries came into being. Enterprise and invention appeared. Exploration of new continents began. Science, which had been mired in superstition and darkness, made its first timorous appearance in Europe. The unyielding barriers that

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for so long had classified and categorized all people began to crumble. With the breakdown of the feudal rigidities, men and women were free to move about the country and to choose occupations that theretofore had been barred to them. Literature and the arts entered a new era; with the end of feudalism came the awakening of the human spirit. Let loose were the latent energies of those painters and sculptors, poets and playwrights, composers and musicians, whose legacy reminds us that the Renaissance was an age not only in which the old rigidities of status disappeared, but one in which the flowering of man's spirit produced a great cultural treasure house after its long feudal hibernation.

What was the one overriding change that took place when feudal society crumbled and gave way to a new approach to life? The great legal historian, Sir Henry Maine, in his work, *Ancient Law*, stated that "the movement of progressive societies has hitherto been a movement from status to contract." It was the substitution of flexibility for fixed and unyielding human relationships. Primitive societies impose on individuals and on classes of people a system of law designed to perpetuate the values which those having power to impose it themselves embrace or consider necessary. Such laws may not be of general application; as a rule they enunciate no abstract principles by which the individual may be guided in respect to his future conduct. More often the law consists of rules devised to deal with individuals or groups of individuals in respect of specific acts or relationships.

Three Principles for Laws

There appear to be at least three essential principles that ought to govern substantive laws in a society in which freedom of contract and not status governs the relationship among men.

The first principle: laws should, as far as possible, be general and of general application. They ought not to be designed for the purpose of regulating the special relationships between A and B as distinguished from relationships between all other persons. Neither should they attempt to apply one set of principles to class A persons and a different set of principles to class B persons. All persons, of whatever class or "status," should be treated alike, not only by procedural laws but by substantive law as well. It is in this context that the principle of egalitarianism takes on its most significant meaning. Laws ought not to make fish of one group and fowl of another. When laws are made es-

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pecially applicable to one class of persons as opposed to another, it generally follows that since the act of legislating is not a creative one in the sense that it is capable of producing something new – but is only distributive in nature – what the legislature has done is simply to take from Peter and give to Paul. It is then not long before Peter will press for a compensatory law against Paul to redress the imbalance and right the injustice he considers has been done him.

Let us take a simple illustration. If the wages payable to one group in the community are fixed by law – as, for example, those paid to policemen or postmen or medical men – then injustice in the balance of the community is bound to result. If the wages of the one group are inordinately high as compared to those of other working groups, all persons in the community except the class enjoying the new higher wage level are penalized. If the wages fixed by law for the special group are inordinately low, then, of course, it is obvious that they are made the special marks for discrimination and have been unjustly treated. Or let us suppose that by law *all* wages are fixed according to a master wage plan. It is possible, though most unlikely, that any legislative body will ever possess the sublime knowledge or wisdom to fairly legislate on so vast a subject. But even if such a body were able to equitably fix wage norms for all citizens, such legislation would be meaningless unless it also fixed by law the prices of all goods and commodities and services. Assuming the existence of a sufficiently wise and all-knowing legislative or administrative body to accomplish such an end, is it conceivable that equity could be achieved for all persons in our own country, dependent as it is upon its trade with a hundred other sovereign states, each presumably pursuing a policy of economic law-making designed to achieve the optimum in the fair distribution of goods among all of its own citizens by law? Surely, what the closed feudal society found it possible to achieve, by rules designed to preserve the status of each class only at the price of personal freedom, a world of nations dependent upon international trade and exchange is rather less likely to create within the context of a society committed to maintain some semblance of personal freedom.

General Rules, Applicable to Everyone

The second principle that ought to govern substantive laws is that, in character, they should be general and abstract and should deal

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only with situations that may arise *in futuro*. Such laws ought to lay down general or abstract principles, and they ought never to operate retroactively. Laws of general principle and of universal application are, as the Latin word indicates, the only true *leges*. These are to be distinguished from privileges, or private or special rights, which the Latin *privatum-leges* or *privilegium* describes. Privileges granted in special situations or to particular groups are bound to result in the deprivation of rights in all other situations and to all other groups. Only where virtually all members of a society agree that the granting of special privileges or rights to persons holding a particular status is desirable and in the interests of all groups ought they to be granted. If granted, they ought to be clearly defined as a special privilege. For a private right to one group of necessity imposes new corresponding burdens upon all other groups who are bound to respect it or give it effect. What is the privileged group's meat may well become the nonprivileged or underprivileged group's poison.

To illustrate, discriminatory laws against the Negro – in education, in employment, in the ownership or use of property – are of a character which cannot be supported in a free society for they specifically deny to one group of persons within the community rights to which all other groups are admitted. The white man who claims a right to be free from the presence of black men in his neighborhood seeks to deny to the black man the same right which he asserts for himself. That right is the right to live where he wishes, and it is a right that ought to be enjoyed by all men regardless of their color. The determination of where each wishes to live ought not to be the subject of a penal law. If the black man wishes to purchase a house in the white man's neighborhood, it is an abridgment of his freedom to prohibit him so doing. If the black man wishes to send his children to the school in which the children are predominantly white, it is an assault upon the black man's freedom and, indeed, upon the freedom of all members of the community to prevent him from doing precisely that.

But if the black man is to be freed from the shackles of his color status, it cannot be by the coercion of the white man. The white man, no less than the black, is capable of being enslaved. Thus, it is no less an abridgment of the white man's freedom to deprive him of the right to sell or dispose freely of his property to whomever he chooses than it is to prohibit the black man from purchas-

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ing any property from any person willing to sell it to him.

In the regulation of human affairs, decent human conduct can seldom be successfully underwritten by penal statutes. The state can give no guarantees that man will act understandingly with his fellow man. At best, governments can crystallize the sentiments and standards of conduct that the majority of the members of a community freely choose to accord to all men. It can provide guidance and incentives for such conduct. By its own example over a long period of time, it can influence the ways and mores of the members of society, as for example, by its own fair employment policies. The role of government is to open as many doors of opportunity as it can; it is then for the individual to choose whether he will enter.

Principles of Natural Justice

The third principle to which laws in a free society ought to adhere, both as to their substantive content and their application, is that at all levels those concerned with making or administering them should act in accordance with principles of natural justice and not according to personal whim, the transitory pressures of public outcry, or the conveniences of administrative officials.

It is today a fashion among some legal theorists to declare that the law consists simply of the statutes as they have been enacted by Parliament and the legislatures, the municipal councils, and the great and burgeoning body of administrative agencies of government. Hence, it is argued, law is whatever men, acting as members of these bodies, declare it to be. Some academicians such as Dean Roscoe Pound and Mr. Justice Holmes gave this theory great currency in their writings and judicial decisions, and these have influenced many lawyers and judges in holding that whatever legislators state the law to be *is*, in fact, the law; that "whatever is is right." Theirs has been described as the positivist theory of law.

The positivist takes the position that it is within the sole and exclusive power of Parliament and the legislatures to determine the wisdom of the policy of any piece of legislation. It is not within the province of the courts to strike down any law or to hold it invalid simply because it offends the court's concepts of what is fair and reasonable. Parliament and the legislatures are the sole judges of the propriety of any statute. Only if legislation infringes the jurisdictional provisions of the Constitution will the courts declare a statute *ultra vires*. The positivist lawyer then seizes upon

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this rule to support his position, since there exists no higher authority to adjudicate upon the validity of any law. Whatever the high court states to be the law is, in fact, the law. Of course the positivist lawyers, though they may be in vogue today, would not go so far as to argue that "whatever is is right." They would contend, however, that it is for the legislature alone to determine policy and to write the law. It is for the courts to apply it.

Conformity to Natural Law

But there is a growing body of thoughtful opinion that takes another view. If legislation does not conform to the principles of natural law or natural justice, then the judicial process may operate to have such nonconforming laws set aside and declared void and of no effect. While the principles of the common law go some distance in assuring that statutes and regulations are applied reasonably, it is also a cardinal rule that statutes must be interpreted to accord with the intentions of Parliament and not necessarily with the precepts of reason or fairness. Yet, where laws violate the principles of the Constitution, ample judicial power is available to the courts to set aside the offending legislation. Why may there not be imported into the Constitution the power of a court to test a law according to standards of reasonableness, or according to the law's conformity to the values that society regards as vital to its preservation? . . .

Neither the judiciary nor the legislature, nor indeed the executive, enjoys any monopoly of wisdom or good judgment. The limitations of each are inherent in the nature of mankind. They are even more apparent in the business of statecraft than in the private affairs of men. By its very nature, the legislature is primarily concerned with the state – a corporate body, separate and distinct from the individuals who are a part of it. As the power of the state grows, it becomes the chief competitor of the individual for power and wealth and, of course, for final autonomy. The executive, as represented by the nation's vast bureaucracy, acts as the arm of the legislature in carrying out and applying the body of laws, in nature prohibitory, compulsory, confiscatory – all designed to regulate the conduct of the citizen. The legislators, who are presumed to represent the individual citizen no less than the executive of the state, in fact compete with the individual for such areas of free action as exist.

In the scramble for freedom, the need for independent arbiters to determine the boundaries as be-

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tween individuals, on the one hand, and the state and its officials, on the other, becomes vital. Judges sitting in courts of law are capable of providing a forum in which the conflicting rights of the individual and the state may be determined with a degree of fairness likely to be found in no other place. Their decisions may not be free of error, but judges admit to error (something I have seldom heard any politician publicly do). Error, indeed, is recognized as a likely concomitant of the judicial process, hence the right to appeal to other courts of superior authority. Judges, by their long tenure, are made as free as it is possible to make men from extraneous influences and improper biases. On the other hand, the very *raison d'être* of the politician is his bias for or against policies that he formulated or that were foisted upon him before he was confronted with the facts, and often long before he entered public office. What, after all, is a party platform except a bundle of biases and popular preconceptions? In a court of law, the tyranny of the majority has no application. For consideration are only the rights and obligations of the individuals before it. Imperfect though judges and courts may be, they constitute the one institution in civilized society that is designed to seek to adjust the rights and obligations of individuals among themselves, and of individuals in relationship to the state, upon principles that do not seek justification in the weight of numbers (as from an electoral majority), in the power of sanctions (as from the police power of the state), or in the influence – for good or ill – of status or wealth.

Freedom vs. Equality

A court of law will treat all parties who are before it equally. But it will not attempt to make all who are before it equal. Thus, judges, recognizing realities and in no way constrained to do what is popular – rather than what is right – avoid the politician's penchant to embrace the principle of egalitarianism when all of the observable facts belie its validity. The politician today has grown fearful of a free society because freedom has a way of encouraging diversity and compounding the "problems" of administering any political program. The more uniform the people of any society, the simpler it is for governments to control them and to maintain fixed standards of living and established norms of behavior. If men are free to do as they choose, disparities among them are likely to increase. Such a trend would be contrary to the most commonly expressed slogans of politicians that all "dis-

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parities" – regional, class, color, personal – ought to be eliminated. Will Durant stated the proposition clearly enough: "Freedom and equality are sworn and everlasting enemies, and when one prevails the other dies. Leave men free, and their natural inequalities will multiply almost geometrically."[1]

If equality were the *summum bonum* of society, restrictions without number upon man's freedom might be justified in order to render all men as nearly equal as human institutions and devices are capable of rendering them. But restrictions upon liberty that are imposed to attain equality do not necessarily result in achieving that end. More often, such restrictions produce simply a fresh variety of inequalities. At the same time, the loss of freedom deprives society of its most vigorous catalyst for growth without substituting any benefit in exchange. Hence the argument in favor of restricting freedom to attain equality among all mankind is a mere chimera and sham, more attractive as a rhetorical phrase than as a viable possibility. Our experience and knowledge of the revolutions in Russia and China show that those who justify the abridgment of liberty in the name of equality end up by themselves monopolizing liberty and declaring, in the words of George Orwell's elite of pigs, that while all persons are equal some are more equal than others.

[1] Ariel and Will Durant, *The Lessons of History*, p. 20.

Freedom to Contract

We have observed that the struggle of free men against feudalism's concept of status was a long and arduous one. While it was underwritten by the natural desire of individuals to improve their lives by exercising their latent abilities, the concept of free contract found its rationale and justification in the principles of natural law. Its source was the ecclesiastical law. In the upheavals that saw the decline and demise of feudal society, the principles of the Old Testament and the power of the clergy played no small role. The appeal to natural law was heard in many places.

> When Adam delved, and
> Eve span,
> Who was then a gentleman?

Such was the theme of a sermon in Nat Tyler's Rebellion.

Traditionally, there are certain basic "rights" to which a man is naturally entitled: the right to safety of his person, to liberty of his body, to his own good name, to freedom from malicious vexation by legal process, the use and enjoyment of his own property, the

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right to pursue unmolested his trade or occupation. These are elements necessary to the individual in order that he may live as he may desire. Lord Denning stated: "What matters is that each man should be free to develop his own personality to the full; and the only duties which should restrict this freedom are those which are necessary to enable everyone to do the same. Wherever these interests are nicely balanced, the scale goes down on the side of freedom."[2]

"Natural law" has been given scant recognition by the courts in recent times save in relation to procedural formalities which must be adhered to by any person who decides anything that affects the rights or liabilities of others. In substantive matters, Parliament and the legislatures are regarded as the sole judges of what is right and just and reasonable. It is a theory that has more to commend it in the abstract than in practice.

Nothwithstanding the unwillingness of courts of law to enter into this field, in 1957 the Quebec Appellate Court did recognize the substantive principles of natural justice in a case involving a suit against a school authority in which the right of parents to educate their children was in issue. In my view, the *Chabot* case[3] is one of the outstanding judicial landmarks of our time because it gave recognition to the idea that there are, or ought to be, certain areas in human relationships that stand outside the ambit of the state's lawful authority to control. It is a landmark, also, because here there exists the basis for a true marriage of philosophical ideals and legal principles between the provinces in which the common-law tradition runs, and the Province of Quebec whose dominant legal traditions are rooted in the French Civil Code. The *Chabot* case holds that the right of a parent to determine how his child is to be educated is inviolable; the parents and not the state have a paramount obligation for the child's upbringing and, accordingly, it is the parents' right to determine the school their child should attend. It is a right of which no government may deprive the parent.

Rights Dissolve into Status

Man is as much wronged when he is deprived of a society in which his natural rights may flourish as when he is deprived of an environment which lacks fresh air and pure water and sunshine in which his body may thrive. These rights

[2] Sir Alfred Denning, *Freedom Under the Law* (London: Stevens and Sons Limited, 1949), pp. 4-5.

[3] *Chabot v. School Commissioners of Lamorandiere* (1957) 12 D.L.R. (2d) 796.

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have traditionally been expressed as variations upon the basic theme of the individual's right of noninterference at the hands of the king or his minions: the right to be let alone, the right to be free of the overwhelming powers of the state.

But in recent times, this concept of the natural rights of man has undergone a metamorphosis. The freedom to be let alone has all but dissolved itself in the demands of the welfarist to be meddled with and cared for. The freedom to raise children according to one's conscience has disappeared in the welter of boards and agencies, school hierarchies, and teachers' federations, all of which claim such vast expertise and so profound a knowledge of pedagogy that they have succeeded in creating an educational system more expensive and more remote from the child's home and family than any hitherto produced by a civilized society.

Natural Rights

The freedom to negotiate and enter into agreements according to the best judgment of those who are parties to such contracts has disappeared in the overwhelming zeal of politicians to scrutinize, modify, and nullify their terms according to the exigencies of political popularity based upon such esoteric principles as Canadian nationalism. The natural right of the citizen to deal with his property with the same skill and acumen he demonstrated in acquiring it is denied him by a higher, state authority whose capacity to produce, innovate, or invent has proven itself something less than outstanding.

The natural right to practice one's profession according to its traditional tenets, and to be restricted only by those rules that fellow practitioners, likewise trained and skilled, might impose, is fast disappearing with the state's aggressive policies against the learned professions in establishing such state-directed schemes as medicare. These whittle away the quality that, more than any other, has contributed to success in the practice of medicine – a relationship of confidence and trust between doctor and patient, free of interference, direction, or control from any branch of government.

Some now claim that natural rights mean the right to be fed, clothed, and housed by the state and at public expense; the right to be cured by the state when sick; the right to be entertained when bored; the right to be sent away on vacations when tired; the right to be protected against one's folly in making contracts; to be relieved

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of one's carelessness in the abortion clinic; and to have one's unwanted children made wards or one's half-wanted children cared for at day centers. And for some of the more sophisticated, who claim it as a natural right to be among the new elite, there is the right to spend four years or more at a university campus to learn how to malign, with unimaginative and stereotyped obscenities, the society whose duty it presumably is to shower all of these blessings like rain upon the deserving and undeserving alike.

Who Are You?

Bills of rights and charters of human liberties may go some distance in restraining governments from zealously pursuing programs for what is euphemistically called general welfare at the expense of the individual's personal liberty and well-being. But in the last analysis, the extent to which governments will succeed in stifling human liberties will be determined by the philosophy of law that judges, sitting in their courts, are prepared to apply to the laws that threaten the individual's liberties. The bulwarks of liberty can only be constructed piecemeal and slowly, as individuals appear before the courts seeking to assert rights against specific abusive actions of the state.

We have travelled a long distance into the kind of society in which status plays the major role. Federal and provincial laws dovetail to classify all persons in a manner that freezes the position of each of us almost as effectively as did the feudal system nine hundred years ago. It is true that there exists no legal prohibition against moving from one stratum to another. But the incentives (or lack of them) encourage the individual to clasp, like some magic amulet, the rights (and disabilities) of the particular class in which he finds himself. A static society is the inevitable result. That is the kind of society that affords the highest degree of "security" for the citizen and causes least trouble to the state bureaucracy. Let us consider a few examples.

Are you an aged person? If so, your status places you in a special slot that entitles you to pension checks, and in certain places you become entitled to medical care, reduced public transportation fares, and other special allowances.

Are you an unemployed person? This status entitles you to claim upon the state for certain weekly payments so long as you are not offered alternate employment that suits you. If you follow the practice that the scheme in fact encourages, you will build up suffi-

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cient reserves in the plan to take a holiday at the expense of the Unemployment Insurance Commission, whether or not you are actually unemployed and unable to find a job.

Are you an employee in a plant in which there has been certified a particular trade union? Then your status is strictly prescribed by the labor legislation under which the certification order was made. The terms and conditions of your employment will not be determined by you in your own personal capacity, or according to your own abilities, or even by the contract which you, personally, may have entered into with your employer. Neither is your productivity (unless you are paid upon a piecework basis, a principle rejected by most trade unions) the determinant factor of your earnings. The established trade union assumes the role of your agent and representative, and you are bound by the terms and conditions that are negotiated for you by its officers.

Are you a medical practitioner in a province which has adopted medicare? If so, your status is determined by act of the legislature; your schedule of fees is approved by the government, and every attendance upon your patient is scrutinized by the government computer system that is operated by employees of the state. Your accounts are examined and approved or rejected by government employees, and your rights as the medical adviser of your patients are prescribed according to the regulations of the state commission.

Privileges Proliferate

If you are any of these, there are programs for you. And these came into being through the activities of pressure groups, organizations, and regional agglomerates which have made demands upon governments to meet special situations. But more often than not, the payments and subsidies and grants and allowances, most of which came into being for temporary *ad hoc* reasons, ultimately become permanent fixtures built into the fabric of the state that no politician dare discontinue. They are now coming to overwhelm citizens by their costliness. Like the proverbial white elephant the Emperor of Siam is said to have presented as a gift to the subject he was most solicitous to destroy, so Canada's politicians have been providing their special gifts in aid of every class and category in the country – each singled out for benefactions so expensive to maintain as to ensure its ruin.

No doubt, some of the programs in limited form can be justified.

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But their proliferation results in the creation of privileges and rights based not upon what any individual is doing or has done but rather upon the status that the individual can persuade legislators he is entitled to claim. Not the least among the claimants are legislators themselves. Among the more extravagant in recent times was the status accorded Toronto aldermen when they voted themselves life pensions after five years' service on the metropolitan council. The value of each pension is estimated to total in excess of $50,000. Their own contribution to the scheme is to be about $3,600. The balance, of course, is to be loaded upon the backs of the docile taxpayers. Rights and responsibilities are based less and less upon what a person does and more and ever more upon who he is. The feudal principle of status has been revived under the guise of "progress." In fact, the principle is as retrograde as it is outrageous.

"So Long as the Sun Shines . . ."

Was this not the very same premise upon which the Treaties between the Queen and the Indian bands of Canada were drawn a hundred years ago? "So long as the sun shines and the waters flow," Indians and their descendants were promised the government's continuous benevolence and care. The Queen promised that they and their descendants would be saved from pestilence and famine; their children would be educated; the medicine chest would always be at the agent's office to cure their ills. A special status was thus created not only for the Indians who signed the Treaties and their families who were then directly affected by their terms. This special status was to continue forever. In the result, Indians were reduced to the status of wards of the great Queen Mother. The legislation creating this special status was regarded as an act of benevolence and kindness. But in the result, the legislation had the effect not only of taking from the Indian his lands – this was a loss of comparatively minor dimensions – but also of taking away his independence, his self-reliance, his chance to succeed, and the possibility that he might fail.

The status of beneficiary in a welfare state especially designed for him robbed the Indian of all desire he might have had to create his own niche in the new burgeoning society that was in the making everywhere about him. In effect, the Indian traded his freedom for treaty money and the promise of perpetual care in the white man's happy hunting ground. Even the hunting became a thing that the white man was to

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control and restrict. He was compelled to surrender suzerainty over the vast tracts of land that had been his. But instead of taking title to the new reserved properties in order that he might own and control them, the Indian accepted a hybrid kind of right to live on the lands designated and to use them collectively with others. This kind of property right was of little value in any practical sense. Legally, he might claim a right as beneficiary. But his was the child's right to use a public playground according to the rules made by his elders and betters. Just as playgrounds are said to be laid out and supervised in the best interests of the children, so it was the intention of the white man's government to designate and control the reserves in the best interests of the Indian. But although children grow up and leave their playpens, and one day reach maturity and manhood and come to occupy a place in the world of grown men and women, the Indian remained a child, hemmed about by the protective fences and the paternalistic rules of an unreal world. Protected as a child, he acted as a child. Suspected of immaturity, he remained immature. Sheltered from the risks and adversities of the outside world, he avoided the contests of competition, the disappointments of failure, the stimulus of success. The Indian too often still speaks as a child, understands as a child, thinks as a child. He has not put away childish things because he never has really matured. Our society condemns him to perpetual childhood.

The Indian's reserve is the feudal estate of our century. His presence is an anachronism of medieval times. This must be a matter of concern to us all because the Indian is our neighbor, and his frustrations and failures are things in which we all share. But his status has an additional significance for all of us because it casts the shadow of the future for every man and woman in our time and in our children's. His is the estate into which all of us are entering by virtue of the special status that we either seek as members of an artificially created class or are assigned by paternalistic governments. The result in both cases will be the same. The quality of life in the welfare state into which we have entered will eventually differ in no significant way from the welfare state in which the Indian has lived for a century.

Indians All

If we are concerned over the plight in which the Indian finds himself at this juncture of history, after a hundred years of state

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welfarism, it may be appropriate to consider at the same time the condition in which the non-Indian population of Canada is likely to find itself after we have lived just half that period in the great welfare society that has been designed for the rest of the people of this country. Are the conditions of the welfare state in which every citizen has been enrolled in any significant way different from those which, for a century, have characterized the Indian's way of life? If the direction and regulation of the daily life of the Indian has brought him to his sorry plight, is there any likelihood that the same kind of policy, pursued nationally, will produce among the rest of us the kind of growth that we envisage for Canada's second century? This is hardly likely to be achieved unless there exists both within and without the reserve the kind of society in which a man can develop his independence and grow to maturity; where he will discover the motives and incentives that are lacking and that are so necessary to the growth of any self-reliant human being.

Where Does One Turn?

There was a time when such a society could be found outside the Indian reserves. That kind of society is now a vanishing phenomenon. The whole of our nation is fast becoming one great Indian reserve in which the agents of the state are directing our lives and destinies as certainly and as completely as they have been dragooning the lives and destinies of the Indian people for the past hundred years. It is now not simply a question of where the Indian can go to regain some self-respect and independence. The question is whether any of us can maintain his own self-reliance and identity as viable human beings in the face of the assault upon our lives by the power of the state. The welfare cult, to which almost all politicians appear to be committed in the mistaken notion that the individual wishes to be treated as a dependent child, has moved Canadians behind the protective shadows of an all-enveloping, maple-leaf curtain. To some, it may seem a welcome shelter from the adversities of the times. But as surely as it reduced the Indian to a state of slavish dependence and deprived him of his freedom to live as a self-sufficient human being, so it will cause us all to degenerate into mere digits whose only real existence will be found in the books and computers, the statistics and reports of the proliferating governments of this country.

My one hope is that the Indian may regain his soul and find his

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independence in a free society wherever he may choose to build it. My great fear is that governments will succeed not only in holding to ransom the Indian's soul as it has held his property, but that before many years have passed it will make Indians of us all. Although the white man has not yet been reduced to the status of the Indian, he is well on the way to assuming that same status; all of us have become welfare-oriented.

Little wonder that almost every proposal that reaches the public from a political platform, whether concerned with Indians or non-Indians, repeats *ad nauseam* the need for more welfare rather than less, greater money payments rather than fewer, more government agents to the barricades rather than their withdrawal, more educational direction rather than freer choice. The concept of welfare has become so ingrained in the white man's way of life that it has become his overriding philosophy of life. It is the panacea for all ills. If there is poverty then naturally poverty can be cured by government money. If there is ill health, it can be eliminated by state-paid medical care. If there is ignorance, it can be dissipated by government schools. The fact, however, is that poverty and ill health and ignorance cannot be eliminated simply by attacking their symptoms with a barrage of money any more than a case of measles can be cured by scraping off the pimples. As a fever can be fought off and overcome only by the body in which the illness resides, and only by the generation in that body of the strength and will to grow well, so the ills of poverty and disease and ignorance can only be cured by strength generated in the body of the individual who suffers from them. External palliatives, such as money grants, may seem to bring temporary relief to the patient, and they assuredly give a very substantial cushion of comfort to those who administer that relief. But they will not produce a healthy individual any more than they can foster a vigorous or viable community of men.

Where Lies the Hope?

There may be elaborate schemes proposed for the reparceling of lands or the redistribution of wealth as a result of which the impoverished Indian may be given a greater share. But the natural differences among human beings will reassert themselves, and in the end nothing is genuinely changed. The only way that real change can be achieved – the only genuine revolution that can change men's lives – emerges from the acquisi-

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tion of new skills, the generation of positive motives, and the enlightenment of the human mind. The only true emancipation of the Indian can come with his development and growth as an individual. This kind of change requires time – many decades of it – and patience on the part of the Indian and the white man, and the kind of understanding that rejects simple solutions and instant answers.

Because of his own experience with the welfare state, no one in Canada today can testify more eloquently to the depressing results of that state than the Indian. Attractive though it might seem, it is the trap that ensnares the unwary. It promises the ideal of egalitarianism to the poor; it holds out the prospect of fair shares for all. The Indian, in his naïveté and ignorance, succumbed to these blandishments.

The rest of us, however, will have no excuse for our self-debasement. If we allow the Minister of National Health and Welfare to ensnare us further into the welfare state, because it is easier to computerize twenty-three million people for guaranteed incomes than it is to face up to the need of exciting Canadians as individuals to the joy of earning their own incomes and guaranteeing their own futures, we will be skidding down the same sticky, tricky road that the Indian started down a century ago. We will end up in the same morass, the same dreadful decay. If this does happen, the white man will have walked into the slough of despond with his eyes wide open. He will learn that the blandishments of the great national bonanza can become only the bars of the new national Bastille.

The Indian knows this road only too well. His history is its map, and every trap bears witness to his suffering. At this juncture in our joint history, it is we who need the help of the Indian more than he needs ours. He can warn us that there will be no good hunting in a country whose government officials multiply faster than jack rabbits, for it will be found that all the cabbages we grow in this green and pleasant land will never be enough to satiate them.

IDEAS ON LIBERTY

Security May Betray Us

All grants, all subsidies, all rewards for services not rendered have a deleterious effect on character; and if character is not of foremost consideration, what is?

ARCHIBALD RUTLEDGE

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POWER THROUGH subversion

LAURENCE W. BEILENSON must feel like the man who sees an automobile bearing down on a blind man and suddenly loses his voice. He wrote a book not long ago called *The Treaty Trap,* which tried to tell our statesmen that nations which depend on treaties for safety invariably discover that promises in international life only last as long as they prove convenient. In spite of Mr. Beilenson's warnings the quest for written assurances of *detente,* or arms limitation, or defined spheres of influence, goes on.

Meanwhile, as communiques are issued and treaties are signed, the nations continue to break their word in almost routine fashion. Save for those who are weak, all of them are guilty, whether they happen to be communist, capitalist or "middle way" socialist. In his second book, *Power Through Subversion* (Public Affairs Press, $8), Mr. Beilenson explores the long and lamentable history of the various ways in which nations have tried to weaken each other as they pursue the game of balancing the power. Curiously, this is the first history of its kind. But who, as we seek a "generation of peace," will read it? Must Mr. Beilenson's larynx fail him again as the automobile moves toward the blind man?

Various "Blades" of Subversion

Mr. Beilenson begins by clarifying the ambiguous words he is forced to use. He speaks of the various "blades" of subversion. An "influencing subversion" will use the blades of propaganda, agitation or offensive terror to get another government to follow certain policies without actually trying to overthrow it. A "decisive subver-

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sion" will employ an armed fifth column within an enemy state to change the government without actually using the means of external warfare. "Traditional subversion" is subversion before Lenin. "Spigot subversion" is when you turn it on and off. There is "auxiliary subversion," "opportunist subversion," "spotty subversion," the "Vergennes Variation," and the "Lenin Adaptation." The last is the worst, for, as Mr. Beilenson makes plain, it never sleeps and it never ends.

Lenin actually developed no new "blade" of subversion. He learned without benefit of Marx, by going to the history of Bourbon and Hapsburg Europe and by studying the way Napoleon spread the French Revolution. Traditional subversion, using such "blades" as bribery and the smuggling of arms, usually preceded the marching of armies. Britain employed "spigot subversion" to keep continental Europe off balance.

The Vergennes Variation

The Vergennes Variation was employed by France to help America. Vergennes expected no immediate benefit by sending arms to help the colonists defeat the British Gentleman Johnny Burgoyne at the Battle of Saratoga. The French foreign minister expected that an independent republic in America would follow its own interest, even to the point of rank ingratitude. All he wanted out of the deal was to keep the British from deriving strength from America in wars still to come.

The young United States fulfilled Vergennes' expectation of ingratitude the moment when it became profitable to our Founding Fathers to sign a treaty of peace with Britain. A century and a half later Truman, Marshall and Acheson used the Vergennes Variation on their own to help France through Marshall Plan money and the NATO alliance. De Gaulle proved just as ungrateful as America's John Jay had proved at the end of the Eighteenth Century. But an ungrateful France, says Mr. Beilenson, is better for the United States than a Communist France.

The Lenin Adaptation

The Lenin Adaptation has made use of all the traditional blades. But where "traditional subversion" often ended in open war, Lenin used his own adaptation as a substitute for war. Lenin did not believe in an adventurous policy. He had a fanatic's fixation on preserving his socialist base. He believed that one could recognize a revolutionary situation, but he

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made no pretense to being a prophet about timing. In 1848 there were revolutionary situations all over Europe. But the revolutions were either aborted or repressed. Since nobody could be sure about timing, Lenin believed in the long-term financing of foreign Communist parties, fronts and secret agents who would be on the spot if a revolutionary situation should become ripe. Khrushchev, who followed Lenin's strategy, couldn't have known that Castro would turn the anti-Batista revolution into a fullfledged Communist revolution. But the Communists had their party and their "sleepers" ready to exploit Castro's discovery that he had always been a Marxist.

What burns Mr. Beilenson up is that "bourgeois" statesmen can never seem to realize that Communist nations believe in having their mounts "well shod on all four feet" even when the talk is of *detente,* or co-existence, or peace. All Communist agreements are like pie crusts, made to be broken if a revolutionary situation develops. Ho Chi Minh waited for twenty years to take over in North Vietnam. Mao Tse-tung was willing to enter a coalition with Chiang Kai-shek in 1946, but when the Soviets gave him all those captured Japanese arms he would settle for nothing less than the total defeat of the Kuomintang. Lenin signed the Treaty of Brest Litovsk with Imperial Germany to take Russia out of World War I. But when the Soviets opened an embassy in Berlin, they used it to spread subversion inside the country that had permitted Lenin to ride to the Finland Station in a sealed car. The Lenin Adaptation makes no connection with gratitude.

The Cautious Soviets

As Mr. Beilenson sees it, the Soviets, in using the Lenin Adaptation, err on the side of supercaution. If the United States hadn't been obsessed with Suez in 1956, Khrushchev would never have dared send his tanks into Hungary to suppress the revolt. The Soviet army had withdrawn from Budapest in fear that Britain and America might send help to the Hungarians. But when it became plain that Eisenhower and John Foster Dulles were giving priority to their dispute with England, France and Israel, the Soviet army returned to Hungary.

This does not mean that the Soviets will always be cautious. Lenin believed in the inevitability of war with the capitalist world, and if the Soviets ever thought they could win that war without

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risk to the socialist base they would certainly fire off their missiles and send their armies marching.

The Not-So-Cautious Chinese

Mao Tse-tung's aphorisms are all paraphrases of Lenin's words. "Political power grows out of the barrel of a gun" is simply Lenin's "supremacy of violence." "Enemy advances, we retreat; enemy tires, we attack; enemy retreats, we pursue" is Mao's way of expressing Lenin's "doctrine of the situation." "Fight no battle you are not sure of winning" is Lenin's "caution about war" in Chinese. But Mao has been more adventurous than Lenin in risking his forces. After all, the Red Chinese invaded North Vietnam and have tried to capture Quemoy and Matsu.

Mr. Beilenson would like to see the United States develop an "American Adaptation" to be directed against Communist rulers who are trying to destroy our form of government. Alas, in our current state of mind, this won't be done. Our "advocates of a good-on-paper world" would consider American subversion a breach of international law. Our friends would welcome an American subversion, but we are too soft in the head to see it. Poor Mr. Beilenson.

▸ MAN, ECONOMY AND STATE by Murray N. Rothbard (Los Angeles: Nash Publishing Co., 1971, 987 pp., two-volume hard cover $30, one-volume paper $10)

Reviewer: Tommy W. Rogers

THIS is a welcome reissue of an excellent treatise which originally appeared in 1962. Rothbard develops the edifice of economic science in the manner of the old-fashioned "principles" approach – slowly and logically building an integrated and coherent edifice of economic truth from a few simple and basic axioms. First, the Fundamental Axiom of *action* – that men employ means to achieve ends, followed by two subsidiary postulates: that there is a *variety* of human and natural resources, and that leisure is a consumers' good.

Beginning with the immediate implications of the action axiom, Rothbard discusses various types of interpersonal and social relations; the economics of voluntary exchange, the economics of consumption, the pricing of consumer goods, and production theory. A "radical" feature of Rothbard's analysis of production is a complete break with the "short-run" theory of the firm and its replacement with dynamic Austrian theory of marginal value productivity and capitalization.

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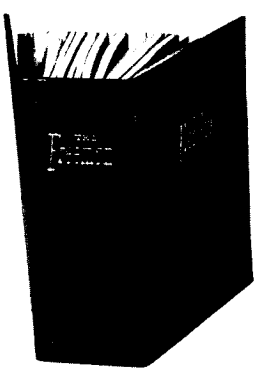
The author emphasizes the immense benefits accruing to all participants in the system of free exchange, and demonstrates the harmful effects of political interventions in the marketplace. A centrally planned economy, Rothard observes, is a centrally *prohibited* economy. The concept of "social engineering" is a deceptive metaphor, since in the *social* realm, it is largely *people* who are being planned rather than machinery and resources. Furthermore, bureaucracy, incompetent enough at handling a stationary system, is vastly more incompetent at planning a progressive one.

This book frankly takes off from Mises' *Human Action*, attempting to spell out some of the implications of the earlier work, but also devoting considerable space to the refutation of opposing doctrines. It has meat enough to satisfy the professional economist, but it is not beyond the thoughtful layman. A book like this one is indeed a basic instrument of economic education.



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